

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

| | Three Months Ended March 31 | |
|---|--------------------------------|-----------|
| <i>(In millions, except per share amounts)</i> | 2010 | 2009 |
| Net premiums written | \$ 302.5 ^(B) | \$ 287.1 |
| Earned premiums | 302.3 | 286.0 |
| Net investment income | 20.5 | 18.3 |
| Net realized gain (loss) on investments | 3.2 | (11.3) |
| Other income | 0.4 | 1.0 |
| Total revenue | 326.4 | 294.0 |
| Income (loss) before federal income taxes | 20.6 | (30.9) |
| Federal income tax expense (benefit) | 7.7 | (16.9) |
| Net income (loss) | \$ 12.9 | \$ (14.0) |
| Earnings (loss) per share: | | |
| - basic | \$ 0.32 | \$ (0.35) |
| - diluted | \$ 0.32 | \$ (0.35) |
| Earnings (loss) per share from operations ^(A) : | | |
| - basic | \$ 0.27 | \$ (0.18) |
| - diluted | \$ 0.27 | \$ (0.18) |
| Weighted average shares outstanding: | | |
| - basic | 39.8 | 39.6 |
| - diluted | 40.0 | 39.6 |
| Return on equity (LTM) | 4.6% | -4.0% |
| Book value per share | \$ 21.65 | \$ 19.21 |
| Dividends paid per share | \$ 0.15 | \$ 0.15 |
| Total shares outstanding | 39.9 | 39.6 |
| GAAP ratios: | | |
| Loss and LAE ratio | 66.2 | 78.6 |
| Expense ratio | 33.5 | 33.4 |
| Combined ratio | 99.7 | 112.0 |
| Reconciliation of non-GAAP financial measure: | | |
| ^(A) Net income (loss) from operations: | | |
| Net income (loss) | \$ 12.9 | \$ (14.0) |
| Less net realized gain (loss) on investments, less applicable federal income taxes | 2.2 | (6.8) |
| Net income (loss) from operations | \$ 10.7 | \$ (7.2) |

^(B) Net premiums written for the three months ended March 31, 2010, includes \$1.4 million of unearned premiums transferred from STFC to State Auto Mutual in connection with the addition of State Auto National to the State Auto Pool, effective January 1, 2010.

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

| | <u>March 31</u> | <u>December 31</u> |
|---|-------------------|--------------------|
| <i>(\$ millions, except per share amounts)</i> | 2010 | 2009 |
| ASSETS | | |
| Fixed maturities, available-for-sale, at fair value (amortized cost \$1,771.6 and \$1,788.1, respectively) | \$ 1,817.0 | \$ 1,831.8 |
| Equity securities, at fair value (cost \$220.7 and \$189.7, respectively) | 260.6 | 224.1 |
| Other invested assets, at fair value (cost \$52.1 and \$44.1, respectively) | 61.4 | 52.3 |
| Other invested assets | 1.0 | 0.9 |
| Notes receivable from affiliate | <u>70.0</u> | <u>70.0</u> |
| Total investments | 2,210.0 | 2,179.1 |
| Cash and cash equivalents | 80.1 | 90.3 |
| Accrued investment income and other assets | 25.6 | 35.1 |
| Deferred policy acquisition costs | 127.9 | 127.3 |
| Reinsurance recoverable on losses and loss expenses payable | 19.7 | 20.8 |
| Due from affiliate | 14.3 | 7.7 |
| Prepaid reinsurance premiums | 7.4 | 7.2 |
| Current federal income taxes | 7.9 | 9.1 |
| Deferred federal income taxes | 69.0 | 75.9 |
| Property and equipment, net | <u>11.9</u> | <u>12.0</u> |
| Total assets | <u>\$ 2,573.8</u> | <u>\$ 2,564.5</u> |
| LIABILITIES | | |
| Losses and loss expenses payable | \$ 841.6 | \$ 840.2 |
| Unearned premiums | 547.2 | 547.0 |
| Notes payable (affiliates \$15.5 and \$15.5, respectively) | 117.1 | 117.2 |
| Pension and postretirement benefits | 153.9 | 150.4 |
| Other liabilities | <u>50.5</u> | <u>60.3</u> |
| Total liabilities | <u>1,710.3</u> | <u>1,715.1</u> |
| STOCKHOLDERS' EQUITY | | |
| Common stock, without par value. Authorized 100.0 shares; 46.7 and 46.6 shares issued, respectively, at stated value of \$2.50 per share | 116.7 | 116.6 |
| Less 6.8 and 6.8 treasury shares, at cost, respectively | (115.7) | (115.7) |
| Additional paid-in capital | 117.1 | 115.8 |
| Accumulated other comprehensive income (loss) | 2.8 | (2.9) |
| Retained earnings | <u>742.6</u> | <u>735.6</u> |
| Total stockholders' equity | <u>863.5</u> | <u>849.4</u> |
| Total liabilities and stockholders' equity | <u>\$ 2,573.8</u> | <u>\$ 2,564.5</u> |

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

| | Three Months Ended March 31 | |
|---|--------------------------------|---------------|
| | 2010 | 2009 |
| <i>(\$ millions, except per share amounts)</i> | | |
| Earned premiums | \$ 302.3 | \$ 286.0 |
| Net investment income | 20.5 | 18.3 |
| Net realized gain (loss) on investments | 3.2 | (11.3) |
| Other income (includes \$0.5 and \$0.7, respectively from affiliates) | 0.4 | 1.0 |
| | <u>326.4</u> | <u>294.0</u> |
| Total revenues | | |
| Losses and loss expenses | 200.0 | 224.8 |
| Acquisition and operating expenses | 101.2 | 95.4 |
| Interest expense (includes \$0.2 and \$0.2, respectively to affiliates) | 1.8 | 2.0 |
| Other expenses | 2.8 | 2.7 |
| | <u>305.8</u> | <u>324.9</u> |
| Total expenses | | |
| Income (loss) before federal income taxes | 20.6 | (30.9) |
| Federal income tax expense (benefit) | 7.7 | (16.9) |
| | <u>12.9</u> | <u>(14.0)</u> |
| Net income (loss) | | |
| Earnings (loss) per common share: | | |
| Basic | \$ 0.32 | \$ (0.35) |
| Diluted | \$ 0.32 | \$ (0.35) |
| Dividends paid per common share | \$ 0.15 | \$ 0.15 |

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| (\$ millions) | Three Months Ended March 31 | |
|---|--------------------------------|-----------|
| | 2010 | 2009 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 12.9 | \$ (14.0) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation, amortization and other, net | 2.2 | 4.9 |
| Share-based compensation | 0.6 | 0.7 |
| Net realized (gain) loss on investments | (3.2) | 11.3 |
| Changes in operating assets and liabilities: | | |
| Deferred policy acquisition costs | (0.9) | (0.1) |
| Accrued investment income and other assets | (0.1) | (0.7) |
| Postretirement and pension benefits | 3.9 | (0.5) |
| Other liabilities and due to/from affiliate, net | (16.7) | (27.3) |
| Reinsurance recoverable on losses and loss expenses payable and prepaid reinsurance premiums | 0.8 | 2.3 |
| Losses and loss expenses payable | 5.4 | 20.3 |
| Unearned premiums | 1.6 | 1.5 |
| Excess tax benefits on share based awards | 0.1 | - |
| Federal income taxes | 5.1 | (16.8) |
| Cash provided from pooling change, effective 1/1/10 | 3.7 | - |
| Net cash provided by (used in) operating activities | 15.4 | (18.4) |
| Cash flows from investing activities: | | |
| Purchases of fixed maturities - available-for-sale | (87.9) | (79.8) |
| Purchases of equity securities - available-for-sale | (47.0) | (2.0) |
| Purchases of other invested assets | (8.3) | (0.3) |
| Maturities, calls and principal reductions of fixed maturities - available-for-sale | 66.4 | 28.2 |
| Sales of fixed maturities - available-for-sale | 36.8 | 65.9 |
| Sales of equity securities - available-for-sale | 19.5 | 9.3 |
| Sales of other invested assets | 0.3 | 0.1 |
| Net cash (used in) provided by investing activities | (20.2) | 21.4 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 0.5 | 0.1 |
| Payments of dividends | (5.9) | (5.9) |
| Net cash used in financing activities | (5.4) | (5.8) |
| Net decrease in cash and cash equivalents | (10.2) | (2.8) |
| Cash and cash equivalents at beginning of period | 90.3 | 150.5 |
| Cash and cash equivalents at end of period | \$ 80.1 | \$ 147.7 |
| <u>Supplemental disclosures:</u> | | |
| Federal income taxes paid (received) | \$ 2.5 | \$ (0.1) |
| Interest paid (to affiliates \$0.2 and \$0.2, respectively) | \$ 0.2 | \$ 0.2 |

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(unaudited)

(\$ in millions)

| | Three Months Ended March 31, 2010 | Year Ended December 31, 2009 |
|---|---|------------------------------------|
| Common shares: | | |
| Balance at beginning of year | 46.6 | 46.3 |
| Issuance of shares | 0.1 | 0.3 |
| Balance at period ended | <u>46.7</u> | <u>46.6</u> |
| Treasury shares: | | |
| Balance at beginning of year and period ended | <u>(6.8)</u> | <u>(6.8)</u> |
| Common stock: | | |
| Balance at beginning of year | \$116.6 | 115.9 |
| Issuance of shares | 0.1 | 0.7 |
| Balance at period ended | <u>116.7</u> | <u>116.6</u> |
| Treasury stock: | | |
| Balance at beginning of year | (\$115.7) | (115.5) |
| Shares acquired on stock option exercises | - | (0.2) |
| Balance at period ended | <u>(115.7)</u> | <u>(115.7)</u> |
| Additional paid-in capital: | | |
| Balance at beginning of year | \$115.8 | 109.0 |
| Issuance of common stock | 0.4 | 2.8 |
| Tax benefit from stock options exercises | 0.1 | 0.2 |
| Stock options granted | 0.8 | 3.8 |
| Balance at period ended | <u>117.1</u> | <u>115.8</u> |
| Accumulated other comprehensive income (loss): | | |
| Balance at beginning of year | (2.9) | (97.6) |
| Change in unrealized gains (losses) on investments, net of tax and reclassification | 5.4 | 70.3 |
| Amortization of gain on derivative used in cash flow hedge | - | (0.1) |
| Change in unrecognized benefit plan obligations, net of tax and reclassification adjustment | 0.3 | 24.5 |
| Balance at period ended | <u>2.8</u> | <u>(2.9)</u> |
| Retained earnings: | | |
| Balance at beginning of year | 735.6 | 749.2 |
| Net income | 12.9 | 10.2 |
| Cash dividends paid | (5.9) | (23.8) |
| Balance at period ended | <u>742.6</u> | <u>735.6</u> |
| Total stockholders' equity at period ended | <u>863.5</u> | <u>849.4</u> |

STATE AUTO FINANCIAL CORPORATION
YEAR-TO-DATE
(unaudited)

DIRECT PREMIUMS WRITTEN

| <i>(\$ millions)</i> | <u>3/31/2010</u> | <u>3/31/2009</u> | <u>6/30/2010</u> | <u>6/30/2009</u> |
|------------------------------------|------------------|------------------|-------------------|-------------------|
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | \$ 120.1 | \$ 107.2 | | \$ 224.9 |
| Nonstandard private passenger auto | 8.6 | 11.2 | | 20.4 |
| Homeowners | 56.9 | 49.8 | | 118.9 |
| Other personal | 8.5 | 7.9 | | 16.5 |
| Personal segment | <u>194.1</u> | <u>176.1</u> | <u>-</u> | <u>380.7</u> |
| <u>Business Segment:</u> | | | | |
| Commercial auto | 24.7 | 26.2 | | 53.5 |
| Commercial multi peril | 24.8 | 25.3 | | 51.3 |
| Fire & allied lines | 25.3 | 25.7 | | 52.2 |
| Other & product liability | 21.7 | 24.4 | | 49.1 |
| Workers' compensation | 10.3 | 12.8 | | 24.4 |
| Other commercial | 7.1 | 7.5 | | 15.3 |
| Business segment | <u>113.9</u> | <u>121.9</u> | <u>-</u> | <u>245.8</u> |
| Total | <u>\$ 308.0</u> | <u>\$ 298.0</u> | <u>-</u> | <u>\$ 626.5</u> |
| | <u>9/30/2010</u> | <u>9/30/2009</u> | <u>12/31/2010</u> | <u>12/31/2009</u> |
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | | \$ 346.0 | | \$ 461.2 |
| Nonstandard private passenger auto | | 29.7 | | 37.7 |
| Homeowners | | 189.6 | | 250.6 |
| Other personal | | 24.7 | | 33.1 |
| Personal segment | <u>-</u> | <u>590.0</u> | <u>-</u> | <u>782.6</u> |
| <u>Business Segment:</u> | | | | |
| Commercial auto | | 77.7 | | 101.0 |
| Commercial multi peril | | 75.5 | | 98.4 |
| Fire & allied lines | | 78.6 | | 104.9 |
| Other & product liability | | 71.3 | | 91.1 |
| Workers' compensation | | 35.0 | | 43.8 |
| Other commercial | | 22.4 | | 29.0 |
| Business segment | <u>-</u> | <u>360.5</u> | <u>-</u> | <u>468.2</u> |
| Total | <u>-</u> | <u>\$ 950.5</u> | <u>-</u> | <u>\$ 1,250.8</u> |

STATE AUTO FINANCIAL CORPORATION
YEAR-TO-DATE
(unaudited)

NET PREMIUMS WRITTEN

| <i>(\$ millions)</i> | <u>3/31/2010*</u> | <u>3/31/2009</u> | <u>6/30/2010</u> | <u>6/30/2009</u> |
|------------------------------------|-------------------|------------------|-------------------|-------------------|
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | \$ 119.8 | \$ 106.8 | | \$ 224.4 |
| Nonstandard private passenger auto | 8.6 | 11.2 | | 20.4 |
| Homeowners | 55.6 | 48.5 | | 116.3 |
| Other personal | 8.1 | 7.5 | | 15.8 |
| Personal segment | <u>192.1</u> | <u>174.0</u> | <u>-</u> | <u>376.9</u> |
| <u>Business Segment:</u> | | | | |
| Commercial auto | 24.5 | 26.0 | | 53.2 |
| Commercial multi peril | 29.5 | 24.2 | | 49.1 |
| Fire & allied lines | 24.0 | 24.5 | | 49.4 |
| Other & product liability | 17.2 | 19.3 | | 39.0 |
| Workers' compensation | 10.2 | 12.6 | | 24.1 |
| Other commercial | 6.4 | 6.5 | | 13.4 |
| Business segment | <u>111.8</u> | <u>113.1</u> | <u>-</u> | <u>228.2</u> |
| Total | <u>\$ 303.9</u> | <u>\$ 287.1</u> | | <u>\$ 605.1</u> |
| | <u>9/30/2010</u> | <u>9/30/2009</u> | <u>12/31/2010</u> | <u>12/31/2009</u> |
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | | \$ 345.3 | | \$ 460.4 |
| Nonstandard private passenger auto | | 29.6 | | 37.7 |
| Homeowners | | 185.6 | | 245.2 |
| Other personal | | 23.7 | | 31.8 |
| Personal segment | <u>-</u> | <u>584.2</u> | <u>-</u> | <u>775.1</u> |
| <u>Business Segment:</u> | | | | |
| Commercial auto | | 77.3 | | 100.3 |
| Commercial multi peril | | 72.5 | | 94.5 |
| Fire & allied lines | | 74.4 | | 99.3 |
| Other & product liability | | 56.4 | | 72.4 |
| Workers' compensation | | 34.7 | | 43.3 |
| Other commercial | | 19.9 | | 25.5 |
| Business segment | <u>-</u> | <u>335.2</u> | <u>-</u> | <u>435.3</u> |
| Total | | <u>\$ 919.4</u> | | <u>\$ 1,210.4</u> |

* Excludes the pooling change effect of (\$1.4)

STATE AUTO FINANCIAL CORPORATION
YEAR-TO-DATE
(unaudited)

NET PREMIUMS EARNED

| <i>(\$ millions)</i> | <u>3/31/2010</u> | <u>3/31/2009</u> | <u>6/30/2010</u> | <u>6/30/2009</u> |
|------------------------------------|------------------|------------------|-------------------|-------------------|
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | \$ 116.6 | \$ 101.5 | | \$ 207.9 |
| Nonstandard private passenger auto | 7.3 | 10.0 | | 20.1 |
| Homeowners | 61.6 | 54.8 | | 111.2 |
| Other personal | 8.1 | 7.5 | | 15.1 |
| Personal segment | <u>193.6</u> | <u>173.8</u> | <u>-</u> | <u>354.3</u> |
| <u>Business Segment:</u> | | | | |
| Commercial auto | 25.0 | 27.2 | | 54.1 |
| Commercial multi peril | 24.3 | 24.0 | | 48.0 |
| Fire & allied lines | 24.8 | 23.8 | | 48.0 |
| Other & product liability | 17.8 | 19.4 | | 38.5 |
| Workers' compensation | 10.4 | 10.9 | | 22.3 |
| Other commercial | 6.4 | 6.9 | | 13.4 |
| Business segment | <u>108.7</u> | <u>112.2</u> | <u>-</u> | <u>224.3</u> |
| Total | <u>\$ 302.3</u> | <u>\$ 286.0</u> | <u>-</u> | <u>\$ 578.6</u> |
| | <u>9/30/2010</u> | <u>9/30/2009</u> | <u>12/31/2010</u> | <u>12/31/2009</u> |
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | | \$ 318.9 | | \$ 433.2 |
| Nonstandard private passenger auto | | 29.6 | | 38.7 |
| Homeowners | | 169.7 | | 230.0 |
| Other personal | | 23.0 | | 30.9 |
| Personal segment | <u>-</u> | <u>541.2</u> | <u>-</u> | <u>732.8</u> |
| <u>Business Segment:</u> | | | | |
| Commercial auto | | 80.5 | | 106.2 |
| Commercial multi peril | | 72.1 | | 95.2 |
| Fire & allied lines | | 72.8 | | 97.6 |
| Other & product liability | | 57.1 | | 74.8 |
| Workers' compensation | | 33.2 | | 43.2 |
| Other commercial | | 20.0 | | 26.7 |
| Business segment | <u>-</u> | <u>335.7</u> | <u>-</u> | <u>443.7</u> |
| Total | <u>-</u> | <u>\$ 876.9</u> | <u>-</u> | <u>\$ 1,176.5</u> |

STATE AUTO FINANCIAL CORPORATION
QUARTER-TO-DATE
(unaudited)

NET PREMIUMS WRITTEN

| <i>(\$ millions)</i> | <u>3/31/2010*</u> | <u>3/31/2009</u> | <u>Change</u> |
|------------------------------------|-------------------|------------------|---------------|
| <u>Personal Segment:</u> | | | |
| Standard private passenger auto | \$ 119.8 | \$ 106.8 | 12.2% |
| Nonstandard private passenger auto | 8.6 | 11.2 | -23.2% |
| Homeowners | 55.6 | 48.5 | 14.6% |
| Other personal | 8.1 | 7.5 | 8.0% |
| Personal segment | <u>192.1</u> | <u>174.0</u> | 10.4% |
| <u>Business Segment:</u> | | | |
| Commercial auto | 24.5 | 26.0 | -5.8% |
| Commercial multi peril | 29.5 | 24.2 | 21.9% |
| Fire & allied lines | 24.0 | 24.5 | -2.0% |
| Other & product liability | 17.2 | 19.3 | -10.9% |
| Workers' compensation | 10.2 | 12.6 | -19.0% |
| Other commercial | 6.4 | 6.5 | -1.5% |
| Business segment | <u>111.8</u> | <u>113.1</u> | -1.1% |
| Total | <u>\$ 303.9</u> | <u>\$ 287.1</u> | 5.9% |

NET PREMIUMS EARNED

| <i>(\$ millions)</i> | <u>3/31/2010</u> | <u>3/31/2009</u> | <u>Change</u> |
|------------------------------------|------------------|------------------|---------------|
| <u>Personal Segment:</u> | | | |
| Standard private passenger auto | \$ 116.6 | \$ 101.5 | 14.9% |
| Nonstandard private passenger auto | 7.3 | 10.0 | -27.0% |
| Homeowners | 61.6 | 54.8 | 12.4% |
| Other personal | 8.1 | 7.5 | 8.0% |
| Personal segment | <u>193.6</u> | <u>173.8</u> | 11.4% |
| <u>Business Segment:</u> | | | |
| Commercial auto | 25.0 | 27.2 | -8.1% |
| Commercial multi peril | 24.3 | 24.0 | 1.2% |
| Fire & allied lines | 24.8 | 23.8 | 4.2% |
| Other & product liability | 17.8 | 19.4 | -8.2% |
| Workers' compensation | 10.4 | 10.9 | -4.6% |
| Other commercial | 6.4 | 6.9 | -7.2% |
| Business segment | <u>108.7</u> | <u>112.2</u> | -3.1% |
| Total | <u>\$ 302.3</u> | <u>\$ 286.0</u> | 5.7% |

* Excludes the pooling change effect of (\$1.4)

STATE AUTO FINANCIAL CORPORATION
YEAR-TO-DATE
(unaudited)

NET PREMIUMS WRITTEN

| <i>(\$ millions)</i> | <u>3/31/2010*</u> | <u>3/31/2009</u> | <u>Change</u> |
|------------------------------------|-------------------|------------------|---------------|
| <u>Personal Segment:</u> | | | |
| Standard private passenger auto | \$ 119.8 | \$ 106.8 | 12.2% |
| Nonstandard private passenger auto | 8.6 | 11.2 | -23.2% |
| Homeowners | 55.6 | 48.5 | 14.6% |
| Other personal | 8.1 | 7.5 | 8.0% |
| Personal segment | <u>192.1</u> | <u>174.0</u> | 10.4% |
| <u>Business Segment:</u> | | | |
| Commercial auto | 24.5 | 26.0 | -5.8% |
| Commercial multi peril | 29.5 | 24.2 | 21.9% |
| Fire & allied lines | 24.0 | 24.5 | -2.0% |
| Other & product liability | 17.2 | 19.3 | -10.9% |
| Workers' compensation | 10.2 | 12.6 | -19.0% |
| Other commercial | 6.4 | 6.5 | -1.5% |
| Business segment | <u>111.8</u> | <u>113.1</u> | -1.1% |
| Total | <u>\$ 303.9</u> | <u>\$ 287.1</u> | 5.9% |

NET PREMIUMS EARNED

| <i>(\$ millions)</i> | <u>3/31/2010</u> | <u>3/31/2009</u> | <u>Change</u> |
|------------------------------------|------------------|------------------|---------------|
| <u>Personal Segment:</u> | | | |
| Standard private passenger auto | \$ 116.6 | \$ 101.5 | 14.9% |
| Nonstandard private passenger auto | 7.3 | 10.0 | -27.0% |
| Homeowners | 61.6 | 54.8 | 12.4% |
| Other personal | 8.1 | 7.5 | 8.0% |
| Personal segment | <u>193.6</u> | <u>173.8</u> | 11.4% |
| <u>Business Segment:</u> | | | |
| Commercial auto | 25.0 | 27.2 | -8.1% |
| Commercial multi peril | 24.3 | 24.0 | 1.2% |
| Fire & allied lines | 24.8 | 23.8 | 4.2% |
| Other & product liability | 17.8 | 19.4 | -8.2% |
| Workers' compensation | 10.4 | 10.9 | -4.6% |
| Other commercial | 6.4 | 6.9 | -7.2% |
| Business segment | <u>108.7</u> | <u>112.2</u> | -3.1% |
| Total | <u>\$ 302.3</u> | <u>\$ 286.0</u> | 5.7% |

* Excludes the pooling change effect of (\$1.4)

STATE AUTO FINANCIAL CORPORATION
QUARTERLY STATUTORY LOSS AND LAE RATIOS
(unaudited)

| | <u>3/31/2010</u> | <u>3/31/2009</u> | <u>6/30/2010</u> | <u>6/30/2009</u> |
|------------------------------------|------------------|------------------|------------------|------------------|
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | 63.9% | 66.3% | | 69.9% |
| Nonstandard private passenger auto | 66.4% | 79.5% | | 79.5% |
| Homeowners | 80.0% | 128.5% | | 105.6% |
| Other personal | 41.7% | 53.9% | | 50.9% |
| Personal segment | 68.2% | 86.1% | | 80.8% |
| <u>Business Segment:</u> | | | | |
| Commercial auto | 45.8% | 52.1% | | 52.7% |
| Commercial multi peril | 59.3% | 58.7% | | 68.0% |
| Fire & allied lines | 78.2% | 97.4% | | 98.8% |
| Other & product liability | 66.3% | 62.6% | | 72.7% |
| Workers' compensation | 74.8% | 68.2% | | 77.7% |
| Other commercial | 17.5% | 37.4% | | 46.7% |
| Business segment | 60.7% | 65.6% | | 71.5% |
| All lines | 65.5% | 78.1% | | 77.3% |

| | <u>9/30/2010</u> | <u>9/30/2009</u> | <u>12/31/2010</u> | <u>12/31/2009</u> |
|------------------------------------|------------------|------------------|-------------------|-------------------|
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | | 69.0% | | 73.5% |
| Nonstandard private passenger auto | | 67.2% | | 76.7% |
| Homeowners | | 71.3% | | 63.2% |
| Other personal | | 42.6% | | 25.3% |
| Personal segment | | 68.5% | | 68.4% |
| <u>Business Segment:</u> | | | | |
| Commercial auto | | 57.5% | | 62.5% |
| Commercial multi peril | | 72.0% | | 37.4% |
| Fire & allied lines | | 54.6% | | 39.7% |
| Other & product liability | | 82.5% | | 62.7% |
| Workers' compensation | | 84.6% | | 90.9% |
| Other commercial | | 37.0% | | 32.8% |
| Business segment | | 65.6% | | 52.7% |
| All lines | | 67.4% | | 62.8% |

STATE AUTO FINANCIAL CORPORATION
YEAR-TO-DATE STATUTORY LOSS AND LAE RATIOS
(unaudited)

| | <u>3/31/2010</u> | <u>3/31/2009</u> | <u>6/30/2010</u> | <u>6/30/2009</u> |
|------------------------------------|------------------|------------------|------------------|------------------|
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | 63.9% | 66.3% | | 68.2% |
| Nonstandard private passenger auto | 66.4% | 79.5% | | 79.5% |
| Homeowners | 80.0% | 128.5% | | 116.9% |
| Other personal | 41.7% | 53.9% | | 52.4% |
| Personal segment | 68.2% | 86.1% | | 83.4% |
| <u>Business Segment:</u> | | | | |
| Commercial auto | 45.8% | 52.1% | | 52.4% |
| Commercial multi peril | 59.3% | 58.7% | | 63.4% |
| Fire & allied lines | 78.2% | 97.4% | | 98.1% |
| Other & product liability | 66.3% | 62.6% | | 67.6% |
| Workers' compensation | 74.8% | 68.2% | | 73.0% |
| Other commercial | 17.5% | 37.4% | | 41.9% |
| Business segment | 60.7% | 65.6% | | 68.6% |
| All lines | 65.5% | 78.1% | | 77.7% |

| | <u>9/30/2010</u> | <u>9/30/2009</u> | <u>12/31/2010</u> | <u>12/31/2009</u> |
|------------------------------------|------------------|------------------|-------------------|-------------------|
| <u>Personal Segment:</u> | | | | |
| Standard private passenger auto | | 68.5% | | 69.8% |
| Nonstandard private passenger auto | | 75.5% | | 75.8% |
| Homeowners | | 101.2% | | 91.2% |
| Other personal | | 49.0% | | 42.9% |
| Personal segment | | 78.3% | | 75.7% |
| <u>Business Segment:</u> | | | | |
| Commercial auto | | 54.1% | | 56.1% |
| Commercial multi peril | | 66.3% | | 59.3% |
| Fire & allied lines | | 83.3% | | 72.2% |
| Other & product liability | | 72.5% | | 70.1% |
| Workers' compensation | | 76.8% | | 80.1% |
| Other commercial | | 40.3% | | 38.4% |
| Business segment | | 67.6% | | 64.0% |
| All lines | | 74.2% | | 71.3% |

State Auto Financial Corporation
2010 STATUTORY LOSS AND LAE RATIOS

(unaudited)

(\$ millions)

| 1st Quarter 2010 | Earned Premium | Catastrophe Loss & LAE | Excluding Cat Loss & LAE | Statutory Loss & LAE | Loss & LAE Catastrophe Ratio | Loss & LAE Excluding Cat Ratio | Loss & LAE Ratio |
|---------------------------|---------------------------|---------------------------------------|---|-------------------------------------|---|---|---------------------------------|
| Personal Segment: | | | | | | | |
| Std private pass auto | \$ 116.6 | \$ 0.5 | \$ 74.1 | \$ 74.6 | 0.5% | 63.4% | 63.9% |
| Nonstd private pass auto | 7.3 | - | 4.8 | 4.8 | 0.3% | 66.1% | 66.4% |
| Homeowners | 61.9 | 5.1 | 44.5 | 49.6 | 8.3% | 71.7% | 80.0% |
| Other personal | 8.1 | 0.1 | 3.2 | 3.3 | 0.9% | 40.8% | 41.7% |
| Personal segment | <u>193.9</u> | <u>5.7</u> | <u>126.6</u> | <u>132.3</u> | 3.0% | 65.2% | 68.2% |
| Business Segment: | | | | | | | |
| Commercial auto | 25.0 | 0.2 | 11.2 | 11.4 | 0.6% | 45.2% | 45.8% |
| Commercial multi peril | 24.3 | 0.9 | 13.5 | 14.4 | 3.7% | 55.6% | 59.3% |
| Fire & allied lines | 24.8 | 3.3 | 16.1 | 19.4 | 13.4% | 64.8% | 78.2% |
| Other & product liability | 17.8 | - | 11.8 | 11.8 | 0.0% | 66.3% | 66.3% |
| Workers' compensation | 10.4 | - | 7.8 | 7.8 | 0.0% | 74.8% | 74.8% |
| Other commercial | 6.4 | - | 1.2 | 1.2 | 0.1% | 17.4% | 17.5% |
| Business segment | <u>108.7</u> | <u>4.4</u> | <u>61.6</u> | <u>66.0</u> | 4.0% | 56.7% | 60.7% |
| Total | <u>\$ 302.6</u> | <u>\$ 10.1</u> | <u>\$ 188.2</u> | <u>\$ 198.3</u> | 3.3% | 62.2% | 65.5% |

State Auto Financial Corporation
2009 STATUTORY LOSS AND LAE RATIOS

(unaudited)

(\$ millions)

| 1st Quarter 2009 | Earned Premium | Catastrophe Loss & LAE | Excluding Cat Loss & LAE | Statutory Loss & LAE | Loss & LAE Catastrophe Ratio | Loss & LAE Excluding Cat Ratio | Loss & LAE Ratio |
|---------------------------|---------------------------|---------------------------------------|---|-------------------------------------|---|---|---------------------------------|
| Personal Segment: | | | | | | | |
| Std private pass auto | \$ 101.5 | \$ 1.1 | \$ 66.2 | \$ 67.3 | 1.1% | 65.2% | 66.3% |
| Nonstd private pass auto | 10.0 | 0.2 | 7.8 | 8.0 | 1.5% | 78.0% | 79.5% |
| Homeowners | 54.8 | 31.7 | 38.7 | 70.4 | 57.9% | 70.6% | 128.5% |
| Other personal | 7.5 | 1.9 | 2.1 | 4.0 | 25.1% | 28.8% | 53.9% |
| Personal segment | <u>173.8</u> | <u>34.9</u> | <u>114.8</u> | <u>149.7</u> | 20.1% | 66.0% | 86.1% |
| Business Segment: | | | | | | | |
| Commercial auto | 27.2 | 0.2 | 14.0 | 14.2 | 0.6% | 51.5% | 52.1% |
| Commercial multi peril | 24.0 | 2.4 | 11.7 | 14.1 | 9.9% | 48.8% | 58.7% |
| Fire & allied lines | 23.8 | 6.4 | 16.8 | 23.2 | 26.8% | 70.6% | 97.4% |
| Other & product liability | 19.4 | - | 12.1 | 12.1 | 0.0% | 62.6% | 62.6% |
| Workers' compensation | 10.9 | - | 7.5 | 7.5 | 0.0% | 68.2% | 68.2% |
| Other commercial | 6.9 | (0.1) | 2.6 | 2.5 | -0.3% | 37.7% | 37.4% |
| Business segment | <u>112.2</u> | <u>8.9</u> | <u>64.7</u> | <u>73.6</u> | 8.0% | 57.6% | 65.6% |
| Total | <u>\$ 286.0</u> | <u>\$ 43.8</u> | <u>\$ 179.5</u> | <u>\$ 223.3</u> | 15.3% | 62.8% | 78.1% |

STATE AUTO FINANCIAL CORPORATION
ROLLING FOUR QUARTER - PAID LOSS COST TRENDS
STANDARD PRIVATE PASSENGER AUTO
(unaudited)

| <u>Coverages</u> | <u>Frequency</u> | <u>03/31/2010</u> | |
|----------------------------|------------------|-------------------|------------------|
| | | <u>Severity</u> | <u>Pure Prem</u> |
| Bodily Injury | 0.4% | -8.2% | -7.8% |
| Property Damage | 7.6% | 1.6% | 9.3% |
| Medical Payments | -0.7% | 9.6% | 8.9% |
| Personal Injury Protection | 3.6% | 6.4% | 10.3% |
| Comprehensive | 11.2% | 1.0% | 12.3% |
| Collision | 5.6% | 0.1% | 5.7% |
| Total | 7.1% | -3.0% | 3.9% |