

FOR IMMEDIATE RELEASE

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State Auto Financial Reports First Quarter 2004 Results

- **Record quarterly earnings of \$0.80**
- **GAAP combined ratio improved to 89.6**
- **Book value increased to \$14.82, up 20% from 3/31/2003**

Columbus, Ohio (April 27, 2004) – State Auto Financial Corporation (NASDAQ: STFC) today reported record first quarter 2004 net income of \$32,400,000 or \$0.80 per diluted share, versus \$21,100,000 or \$0.53 per diluted share for the same period 2003. Net operating earnings* per diluted share were \$0.71 for the first quarter of 2004, versus \$0.47 for the same period in 2003.

STFC's GAAP combined ratio for the first quarter was 89.6, versus 95.2 for the first quarter of 2003. Catastrophe losses were light, contributing only 1.0 point to the loss ratio in the first quarter 2004, versus 2.6 points in the first quarter 2003. STFC's first quarter revenue was \$273,100,000, up from \$253,300,000 for the same period in 2003. STFC shareholders' book value per share increased 20% to \$14.82 from March 31, 2003.

STFC Chairman and CEO Bob Moone stated, "The first quarter of 2004 continued the trend of profitable results for State Auto Financial with both the standard and nonstandard business segments contributing nicely to our success. The quarterly combined ratios of 89.0 and 96.1, respectively, for those segments bear this out. We have now achieved record net operating earnings per share for five of the last six quarters.

"Another satisfying development is the continued improvement in the loss ratio of our homeowners line to 53.6 from 67.7 for the first quarter of 2003. This improved result for homeowners arises from relatively light catastrophe loss experience, a reduction in large loss frequency and improvement in the core loss ratio due to continuing underwriting diligence and greater rate adequacy.

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“A number of us recently completed a tour of our regional and branch offices as well as visits with our independent agents in many states. I believe that State Auto has the proper focus and dedication to details needed to be successful in this very competitive industry. Our commitment to sound underwriting and cost-based pricing should, absent unusual catastrophe experience, allow for solid results throughout 2004 and continued enhancement of shareholder value,” added Moone.

State Auto Financial Corporation, headquartered in Columbus, Ohio, is a regional property and casualty insurance holding company engaged primarily in writing both personal and commercial lines of insurance. The company markets its policies through more than 22,500 independent insurance agents associated with over 3,300 agencies in 26 central and eastern states, excluding New York, New Jersey and the New England states. The State Auto Insurance Companies’ pool carries an A+ (Superior) rating from A.M. Best Co.

*Net operating earnings, a non-GAAP financial measure which management believes is informative to Company management and investors, differ from GAAP net earnings only by the exclusion of realized capital gains and losses, net of applicable taxes, on investment activity for the periods being reported. For STFC, this amounts to \$0.09 per diluted share for the first quarter 2004 versus \$0.06 for the same 2003 period.

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STFC has scheduled a conference call with interested investors for Tuesday, April 27, 10:00 a.m. ET to discuss the company’s first quarter 2004 performance. Live and archived broadcasts of the call can be accessed on www.STFC.com. A replay of the call can be heard beginning at noon, April 27, by calling 1-800-253-1052. Supplemental schedules detailing the company’s first quarter 2004 financial, sales and underwriting results are made available on www.STFC.com prior to the conference call.

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Except for historical information, all other information in this news release consists of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in State Auto Financial's Form 10-K and Form 10-Q reports and exhibits to those reports, and include (but are not limited to) legislative changes at both the state and federal level, state and federal regulatory rule making promulgations and adjudications, class action litigation involving the insurance industry and judicial decisions affecting claims, policy coverages and the general costs of doing business, the impact of competition on products and pricing, inflation in the costs of the products and services insurance pays for, product development, geographic spread of risk, weather and weather-related events, and other types of catastrophic events. State Auto Financial undertakes no obligation to update or revise any forward-looking statements.

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STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(figures in millions, except per share amounts)

(unaudited)

	Quarter Ended March 31	
	<u>2004</u>	<u>2003</u>
Net premiums written	\$ 252.8	\$ 236.5
Earned premiums	248.8	232.4
Net investment income	17.5	15.7
Net realized gains on investments	5.4	3.8
Other income	1.4	1.4
Total revenue	<u>273.1</u>	<u>253.3</u>
Income before federal income taxes	46.0	28.6
Federal income taxes	<u>13.6</u>	<u>7.5</u>
Net income	<u>\$ 32.4</u>	<u>\$ 21.1</u>
Earnings per share:		
- basic	\$0.82	\$0.54
- diluted	\$0.80	\$0.53
Earnings per share from operations *:		
- basic	\$0.73	\$0.48
- diluted	\$0.71	\$0.47
Weighted average shares outstanding:		
- basic	39.6	39.1
- diluted	40.5	39.7
Book value per share	\$14.82	\$12.36
Dividends paid per share	\$0.040	\$0.035
Total shares outstanding	39.7	39.2
GAAP ratios:		
Loss and LAE ratio	59.4	64.4
Expense ratio	<u>30.2</u>	<u>30.8</u>
Combined ratio	<u>89.6</u>	<u>95.2</u>
* Net income from operations:		
Net income	\$ 32.4	\$ 21.1
Less net realized gains on investments, less applicable federal income taxes	<u>3.5</u>	<u>2.5</u>
Net income from operations	<u>\$ 28.9</u>	<u>\$ 18.6</u>

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in millions, except per share amount)
(unaudited)

	March 31 <u>2004</u>	December 31 <u>2003</u>
ASSETS		
Fixed maturities, available for sale, at fair value (amortized cost \$1,374.2 and \$1,359.6, respectively)	\$ 1,449.9	\$ 1,421.4
Equity securities, available for sale, at fair value (cost \$139.6 and \$121.0, respectively)	159.4	139.3
Other invested assets (cost \$9.5)	9.7	9.6
Total investments	1,619.0	1,570.3
Cash and cash equivalents	52.0	40.0
Deferred policy acquisition costs	91.1	87.1
Accrued investment income and other assets	53.6	52.5
Due from affiliate	25.2	-
Net prepaid pension expense	51.0	51.4
Reinsurance recoverable on losses and loss expenses payable	15.6	14.2
Prepaid reinsurance premiums	9.0	8.4
Current federal income taxes	-	0.2
Property and equipment, net	12.4	12.5
Total assets	\$ 1,928.9	\$ 1,836.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Losses and loss expenses payable	\$ 648.3	\$ 643.0
Unearned premiums	408.8	404.3
Notes payable (affiliates \$61.0)	161.0	161.2
Postretirement benefit liabilities	75.9	74.3
Other liabilities	26.3	8.6
Current federal income taxes	12.8	-
Deferred federal income taxes	7.2	2.0
Due to affiliates	-	0.9
Total liabilities	1,340.3	1,294.3
STOCKHOLDERS' EQUITY:		
Common stock, without par value. Authorized 100.0 shares; 44.3 and 44.2 shares issued, respectively, at stated value of \$2.50 per share	110.8	110.4
Less 4.6 treasury shares, at cost	(56.0)	(55.8)
Additional paid-in capital	58.6	56.7
Accumulated other comprehensive income	65.3	53.0
Retained earnings	409.9	378.0
Total stockholders' equity	588.6	542.3
Total liabilities and stockholders' equity	\$ 1,928.9	\$ 1,836.6

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2004 and 2003
(dollars in millions, except per share amounts)
(unaudited)

	<u>2004</u>	<u>2003</u>
Earned premiums	\$ 248.8	\$ 232.4
Net investment income	17.5	15.7
Net realized gains on investments	5.4	3.8
Other income (affiliates \$0.9)	1.4	1.4
Total revenues	<u>273.1</u>	<u>253.3</u>
Losses and loss expenses	147.7	149.6
Acquisition and operating expenses	75.1	71.7
Interest expense (affiliates \$0.5 and \$0.7, respectively)	1.7	0.7
Other expenses	2.6	2.8
Total expenses	<u>227.1</u>	<u>224.8</u>
Income before federal income taxes	46.0	28.6
Federal income tax expense	13.6	7.5
Net income	<u>\$ 32.4</u>	<u>\$ 21.1</u>
Earnings per common share:		
Basic	<u>\$0.82</u>	<u>\$0.54</u>
Diluted	<u>\$0.80</u>	<u>\$0.53</u>
Dividends paid per common share	<u>\$0.040</u>	<u>\$0.035</u>

STATE AUTO FINANCIAL CORPORATION
QUARTERLY STATUTORY RATIOS
STATE AUTO STANDARD INSURANCE SEGMENT ⁽¹⁾
(unaudited)

	<u>3/31/04</u>	<u>3/31/03</u>	<u>6/30/04</u>	<u>6/30/03</u>
Loss & LAE ratios:				
Automobile - personal	57.5%	64.1%		64.4%
Automobile - commercial	55.0%	56.4%		55.8%
Homeowners	53.6%	67.7%		105.7%
Commercial multi-peril	54.0%	67.4%		110.9%
Workers' compensation	63.9%	72.1%		59.5%
Fire and allied lines	52.6%	66.2%		96.6%
Other/products liability	101.3%	63.9%		61.5%
Misc. pers./comm. lines	22.5%	22.6%		30.9%
Total loss & LAE ratio	<u>57.9%</u>	<u>63.2%</u>	<u> </u>	<u>75.5%</u>
	<u>9/30/04</u>	<u>9/30/03</u>	<u>12/31/04</u>	<u>12/31/03</u>
Loss & LAE ratios:				
Automobile - personal		64.9%		73.0%
Automobile - commercial		62.4%		38.3%
Homeowners		94.5%		32.9%
Commercial multi-peril		70.8%		72.7%
Workers' compensation		98.8%		150.0%
Fire and allied lines		60.8%		21.7%
Other/products liability		51.0%		93.9%
Misc. pers./comm. lines		28.4%		31.0%
Total loss & LAE ratio	<u> </u>	<u>68.9%</u>	<u> </u>	<u>60.6%</u>

⁽¹⁾ 2003 amounts are restated to include the former Meridian Standard Insurance Segment.

STATE AUTO FINANCIAL CORPORATION
YEAR-TO-DATE STATUTORY RATIOS
STATE AUTO STANDARD INSURANCE SEGMENT ⁽¹⁾
(unaudited)

	<u>3/31/04</u>	<u>3/31/03</u>	<u>6/30/04</u>	<u>6/30/03</u>
Loss & LAE ratios:				
Automobile - personal	57.5%	64.1%		64.3%
Automobile - commercial	55.0%	56.4%		56.1%
Homeowners	53.6%	67.7%		87.2%
Commercial multi-peril	54.0%	67.4%		89.5%
Workers' compensation	63.9%	72.1%		66.1%
Fire and allied lines	52.6%	66.2%		81.8%
Other/products liability	101.3%	63.9%		62.7%
Misc. pers./comm. lines	22.5%	22.6%		26.8%
Total loss & LAE ratio	<u>57.9%</u>	<u>63.2%</u>	<u> </u>	<u>69.5%</u>
	<u>9/30/04</u>	<u>9/30/03</u>	<u>12/31/04</u>	<u>12/31/03</u>
Loss & LAE ratios:				
Automobile - personal		64.5%		66.6%
Automobile - commercial		58.2%		53.3%
Homeowners		89.7%		75.0%
Commercial multi-peril		83.2%		80.6%
Workers' compensation		76.5%		93.0%
Fire and allied lines		74.5%		60.8%
Other/products liability		58.6%		67.6%
Misc. pers./comm. lines		27.3%		28.3%
Total loss & LAE ratio	<u> </u>	<u>69.3%</u>	<u> </u>	<u>67.1%</u>

⁽¹⁾ 2003 amounts are restated to include the former Meridian Standard Insurance Segment.

STATE AUTO FINANCIAL CORPORATION
QUARTERLY STATUTORY RATIOS
STATE AUTO NONSTANDARD INSURANCE SEGMENT
(unaudited)

	<u>3/31/04</u>	<u>3/31/03</u>	<u>6/30/04</u>	<u>6/30/03</u>
Loss & LAE ratios:				
Automobile	<u>77.7%</u>	<u>77.0%</u>	<u> </u>	<u>77.4%</u>
	<u>9/30/04</u>	<u>9/30/03</u>	<u>12/31/04</u>	<u>12/31/03</u>
Loss & LAE ratios:				
Automobile	<u> </u>	<u>76.1%</u>	<u> </u>	<u>71.7%</u>

YEAR-TO-DATE STATUTORY RATIOS
STATE AUTO NONSTANDARD INSURANCE SEGMENT
(unaudited)

	<u>3/31/04</u>	<u>3/31/03</u>	<u>6/30/04</u>	<u>6/30/03</u>
Loss & LAE ratios:				
Automobile	<u>77.7%</u>	<u>77.0%</u>	<u> </u>	<u>77.2%</u>
	<u>9/30/04</u>	<u>9/30/03</u>	<u>12/31/04</u>	<u>12/31/03</u>
Loss & LAE ratios:				
Automobile	<u> </u>	<u>76.8%</u>	<u> </u>	<u>75.6%</u>

STATE AUTO FINANCIAL CORPORATION
YEAR-TO-DATE DIRECT PREMIUMS WRITTEN
(dollars in millions)
(unaudited)

	<u>3/31/04</u>	<u>3/31/03</u>	<u>6/30/04</u>	<u>6/30/03</u>
Direct Premiums Written:				
Automobile - personal	119.4	118.5		233.2
Automobile - commercial	26.0	25.9		52.9
Homeowners	36.2	31.8		75.2
Commercial multi-peril	19.8	20.4		40.9
Workers' compensation	8.2	8.4		16.1
Fire and allied lines	19.2	16.3		34.2
Other/products liability	20.6	17.2		35.9
Misc. pers./comm. lines	8.1	7.5		16.3
Total	<u>257.5</u>	<u>246.0</u>		<u>504.7</u>

	<u>9/30/04</u>	<u>9/30/03</u>	<u>12/31/04</u>	<u>12/31/03</u>
Direct Premiums Written:				
Automobile - personal		352.6		464.8
Automobile - commercial		78.8		100.6
Homeowners		121.0		161.8
Commercial multi-peril		61.8		80.7
Workers' compensation		24.1		30.6
Fire and allied lines		53.6		73.1
Other/products liability		54.3		72.4
Misc. pers./comm. lines		24.8		32.2
Total		<u>771.0</u>		<u>1,016.2</u>