

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

	Three Months Ended March 31	
<i>(In millions, except per share amounts)</i>	<u>2007</u>	<u>2006</u>
Net premiums written	\$ 247.5	\$ 249.1
Earned premiums	251.9	256.1
Net investment income	21.3	20.4
Net realized gain (loss) on investments	1.1	(0.9)
Other income	1.2	1.2
Total revenue	<u>275.5</u>	<u>276.8</u>
Income before federal income taxes	40.8	56.7
Federal income tax expense	10.0	16.5
Net income	<u>\$ 30.8</u>	<u>\$ 40.2</u>
Earnings per share:		
- basic	\$ 0.75	\$ 0.99
- diluted	\$ 0.74	\$ 0.97
Earnings per share from operations ^(A) :		
- basic	\$ 0.73	\$ 1.00
- diluted	\$ 0.72	\$ 0.98
Weighted average shares outstanding:		
- basic	41.1	40.6
- diluted	41.8	41.5
Book value per share	\$ 20.94	\$ 19.57
Dividends paid per share	\$ 0.10	\$ 0.09
Total shares outstanding	41.1	40.7
GAAP ratios:		
Loss and LAE ratio	56.8	49.7
Expense ratio	34.5	34.2
Combined ratio	<u>91.3</u>	<u>83.9</u>
^(A) Net income from operations:		
Net income	\$ 30.8	\$ 40.2
Less net realized gains (losses) on investments, less applicable federal income taxes	0.7	(0.6)
Net income from operations	<u>\$ 30.1</u>	<u>\$ 40.8</u>

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

<i>(\$ millions, except per share amounts)</i>	<u>March 31 2007</u>	<u>December 31 2006</u>
ASSETS		
Fixed maturities, available-for-sale, at fair value (amortized cost \$1,630.8 and \$1,630.6, respectively)	\$ 1,646.0	\$ 1,647.4
Equity securities, at fair value (cost \$235.8 and \$230.8, respectively)	287.1	284.2
Other invested assets	<u>5.6</u>	<u>6.3</u>
Total investments	1,938.7	1,937.9
Cash and cash equivalents	115.3	73.4
Accrued investment income and other assets	44.1	43.7
Deferred policy acquisition costs	102.2	104.0
Reinsurance recoverable on losses and loss expenses payable	12.8	13.5
Due from affiliate	-	17.9
Prepaid reinsurance premiums	6.2	6.0
Deferred federal income taxes	48.8	46.3
Property and equipment, net	<u>12.4</u>	<u>12.4</u>
Total assets	<u>\$ 2,280.5</u>	<u>\$ 2,255.1</u>
LIABILITIES		
Losses and loss expenses payable	\$ 666.5	\$ 674.5
Unearned premiums	424.6	428.8
Notes payable (affiliate \$15.5)	118.3	118.4
Postretirement benefits	127.3	124.8
Pension benefits	17.9	16.1
Current federal income taxes	10.7	7.2
Other liabilities	49.7	51.1
Due to affiliate	<u>5.3</u>	<u>-</u>
Total liabilities	<u>1,420.3</u>	<u>1,420.9</u>
STOCKHOLDERS' EQUITY		
Common stock, without par value. Authorized 100.0 shares; 45.8 and 45.7 shares issued, respectively, at stated value of \$2.50 per share	114.4	114.3
Less 4.7 and 4.7 treasury shares, at cost, respectively	(58.3)	(58.1)
Additional paid-in capital	89.1	87.3
Accumulated other comprehensive loss	(19.6)	(17.3)
Retained earnings	<u>734.6</u>	<u>708.0</u>
Total stockholders' equity	<u>860.2</u>	<u>834.2</u>
Total liabilities and stockholders' equity	<u>\$ 2,280.5</u>	<u>\$ 2,255.1</u>

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

<i>(\$ millions, except per share amounts)</i>	Three Months Ended March 31	
	2007	2006
Earned premiums	\$ 251.9	\$ 256.1
Net investment income	21.3	20.4
Net realized gain (loss) on investments	1.1	(0.9)
Other income (includes \$0.8 and \$0.7, respectively from affiliates)	1.2	1.2
Total revenues	275.5	276.8
Losses and loss expenses	143.0	127.3
Acquisition and operating expenses	87.0	87.5
Interest expense (includes \$0.4 and \$0.3, respectively to affiliates)	1.9	1.8
Other expenses	2.8	3.5
Total expenses	234.7	220.1
Income before federal income taxes	40.8	56.7
Federal income tax expense	10.0	16.5
Net income	\$ 30.8	\$ 40.2
Earnings per common share:		
Basic	\$ 0.75	\$ 0.99
Diluted	\$ 0.74	\$ 0.97
Dividends paid per common share	\$ 0.100	\$ 0.090

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

(\$ in millions)

	Period Ended	
	March 31, 2007	December 31, 2006
	<u> </u>	<u> </u>
Common shares:		
Balance at beginning of year	45.7	45.1
Issuance of shares	0.1	0.6
Balance at end of year	<u>45.8</u>	<u>45.7</u>
Treasury shares:		
Balance at beginning of year	(4.7)	(4.6)
Shares acquired on stock option exercises	(0.0)	(0.1)
Balance at end of year	<u>(4.7)</u>	<u>(4.7)</u>
Common stock:		
Balance at beginning of year	\$114.3	112.8
Issuance of shares	0.1	1.5
Balance at end of year	<u>114.4</u>	<u>114.3</u>
Treasury stock:		
Balance at beginning of year	(\$58.1)	(56.8)
Shares acquired on stock option exercises	(0.2)	(1.3)
Balance at end of year	<u>(58.3)</u>	<u>(58.1)</u>
Additional paid-in capital:		
Balance at beginning of year	\$87.3	70.2
Issuance of common stock	0.4	7.2
Tax benefit from stock options exercises	0.1	3.2
Stock options granted	1.3	6.7
Balance at end of year	<u>89.1</u>	<u>87.3</u>
Accumulated other comprehensive income (loss):		
Balance at beginning of year	(\$17.3)	34.3
Unrealized gains (losses) on investments, net of tax and reclassification adjustment	(2.3)	12.4
Amortization of gain on derivative used in cash flow hedge	(0.1)	(0.1)
Amortization of postretirement and pension obligations	0.1	-
Accum. other comprehensive income before SFAS No. 158 adjustment	<u>(19.6)</u>	<u>46.6</u>
Adjustment to initially apply SFAS No. 158, net of tax	-	(63.9)
Balance at end of year	<u>(19.6)</u>	<u>(17.3)</u>
Retained earnings:		
Balance at beginning of year	\$708.0	603.0
Net income	30.8	120.4
Cash dividends paid	(4.2)	(15.4)
Balance at end of year	<u>734.6</u>	<u>708.0</u>
Total stockholders' equity at end of year	<u>\$860.2</u>	<u>834.2</u>

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three Months Ended March 31	
(\$ millions)	2007	2006
Cash flows from operating activities:		
Net income	\$ 30.8	\$ 40.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other, net	2.6	1.9
Share-based compensation	1.2	1.4
Net realized (gains) losses on investments	(1.1)	0.9
Changes in operating assets and liabilities:		
Deferred policy acquisition costs	1.8	2.5
Accrued investment income and other assets	(0.5)	-
Net prepaid pension expense	-	1.8
Postretirement and pension benefit liabilities	4.7	2.2
Other liabilities and due to/from affiliate, net	4.6	(0.6)
Reinsurance recoverable on losses and loss expenses payable and prepaid reinsurance premiums	0.5	1.4
Losses and loss expenses payable	(8.0)	(29.2)
Unearned premiums	(4.2)	(7.1)
Excess tax benefits on share based awards	-	2.1
Federal income taxes	2.2	14.4
Net cash provided by operating activities	34.6	31.9
Cash flows from investing activities:		
Purchases of fixed maturities - available-for-sale	(119.1)	(70.6)
Purchases of equity securities - available-for-sale	(22.3)	(20.7)
Purchases of other invested assets	(0.4)	(0.1)
Maturities, calls and principal reductions of fixed maturities - available-for-sale	20.2	30.1
Sales of fixed maturities - available-for-sale	112.6	29.9
Sales of equity securities - available-for-sale	19.2	28.8
Sales of other invested assets	1.1	0.5
Net additions of property and equipment	(0.2)	(0.1)
Net cash provided by (used in) investing activities	11.1	(2.2)
Cash flows from financing activities:		
Proceeds from issuance of common stock	0.2	2.3
Excess tax benefits on share based awards	0.1	-
Payments of dividends	(4.1)	(3.6)
Change in securities lending collateral	-	(14.4)
Change in securities lending obligation	-	14.4
Net cash used in financing activities	(3.8)	(1.3)
Net increase in cash and cash equivalents	41.9	28.4
Cash and cash equivalents at beginning of period	73.4	28.7
Cash and cash equivalents at end of period	\$ 115.3	\$ 57.1
<u>Supplemental disclosures:</u>		
Federal income taxes paid	\$ 7.7	\$ 0.2
Interest paid (\$0.4 and \$0.3 to affiliates)	\$ 0.4	\$ 0.3

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

NET PREMIUMS WRITTEN

<i>(\$ millions)</i>	<u>3/31/2007</u>	<u>3/31/2006</u>	<u>6/30/2007</u>	<u>6/30/2006</u>
<u>Personal Segment:</u>				
Standard private passenger auto	\$ 88.3	\$ 90.1		\$ 181.9
Nonstandard private passenger auto	12.3	12.7		22.6
Homeowners	38.6	38.5		89.7
Other personal	5.5	5.3		11.3
Personal segment	<u>144.7</u>	<u>146.6</u>		<u>305.5</u>
<u>Business Segment:</u>				
Commercial auto	25.3	25.8		53.1
Commercial multi peril	21.9	21.7		44.8
Fire & allied lines	20.3	20.2		41.4
Other & product liability	20.5	19.9		40.8
Workers' compensation	8.1	8.3		17.7
Other commercial	6.7	6.6		13.5
Business segment	<u>102.8</u>	<u>102.5</u>		<u>211.3</u>
Total	<u>\$ 247.5</u>	<u>\$ 249.1</u>		<u>\$ 516.8</u>
	<u>9/30/2007</u>	<u>9/30/2006</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
<u>Personal Segment:</u>				
Standard private passenger auto		\$ 274.9		\$ 361.7
Nonstandard private passenger auto		33.3		42.4
Homeowners		142.2		186.1
Other personal		17.0		22.6
Personal segment		<u>467.4</u>		<u>612.8</u>
<u>Business Segment:</u>				
Commercial auto		76.9		98.7
Commercial multi peril		67.3		87.8
Fire & allied lines		63.3		83.1
Other & product liability		59.5		77.2
Workers' compensation		26.7		34.3
Other commercial		19.7		25.6
Business segment		<u>313.4</u>		<u>406.7</u>
Total		<u>\$ 780.8</u>		<u>\$ 1,019.5</u>

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

NET PREMIUMS EARNED

<i>(\$ millions)</i>	<u>3/31/2007</u>	<u>3/31/2006</u>	<u>6/30/2007</u>	<u>6/30/2006</u>
<u>Personal Segment:</u>				
Standard private passenger auto	\$ 88.7	\$ 91.1		\$ 181.6
Nonstandard private passenger auto	10.7	11.8		23.2
Homeowners	46.5	46.0		92.2
Other personal	<u>5.7</u>	<u>5.7</u>		<u>11.5</u>
Personal segment	151.6	154.6		308.5
<u>Business Segment:</u>				
Commercial auto	24.4	25.2		50.4
Commercial multi peril	21.8	21.6		43.6
Fire & allied lines	20.8	21.3		42.4
Other & product liability	19.0	18.8		38.5
Workers' compensation	8.1	8.2		16.6
Other commercial	<u>6.2</u>	<u>6.4</u>		<u>12.8</u>
Business segment	<u>100.3</u>	<u>101.5</u>		<u>204.3</u>
Total	<u>\$ 251.9</u>	<u>\$ 256.1</u>		<u>\$ 512.8</u>
	<u>9/30/2007</u>	<u>9/30/2006</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
<u>Personal Segment:</u>				
Standard private passenger auto		\$ 272.2		\$ 362.1
Nonstandard private passenger auto		34.2		44.8
Homeowners		138.5		185.2
Other personal		<u>17.1</u>		<u>22.7</u>
Personal segment		462.0		614.8
<u>Business Segment:</u>				
Commercial auto		75.5		100.3
Commercial multi peril		65.5		87.5
Fire & allied lines		63.4		84.2
Other & product liability		57.6		77.5
Workers' compensation		25.4		33.8
Other commercial		<u>19.2</u>		<u>25.7</u>
Business segment		<u>306.6</u>		<u>409.0</u>
Total		<u>\$ 768.6</u>		<u>\$ 1,023.8</u>

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

NET PREMIUMS WRITTEN

<i>(\$ millions)</i>	<u>3/31/2007</u>	<u>3/31/2006</u>	<u>Change</u>
<u>Personal Segment:</u>			
Standard private passenger auto	\$ 88.3	\$ 90.1	-2.0%
Nonstandard private passenger auto	12.3	12.6	-2.4%
Homeowners	38.6	38.5	0.3%
Other personal	<u>5.5</u>	<u>5.4</u>	1.9%
Personal segment	144.7	146.6	-1.3%
<u>Business Segment:</u>			
Commercial auto	25.3	25.8	-1.9%
Commercial multi peril	21.9	21.7	0.9%
Fire & allied lines	20.3	20.3	0.0%
Other & product liability	20.5	19.9	3.0%
Workers' compensation	8.1	8.3	-2.4%
Other commercial	<u>6.7</u>	<u>6.5</u>	3.1%
Business segment	<u>102.8</u>	<u>102.5</u>	0.3%
Total	<u>\$ 247.5</u>	<u>\$ 249.1</u>	-0.6%

NET PREMIUMS EARNED

<i>(\$ millions)</i>	<u>3/31/2007</u>	<u>3/31/2006</u>	<u>Change</u>
<u>Personal Segment:</u>			
Standard private passenger auto	\$ 88.7	\$ 91.1	-2.6%
Nonstandard private passenger auto	10.7	11.8	-9.3%
Homeowners	46.5	46.0	1.1%
Other personal	<u>5.7</u>	<u>5.7</u>	0.0%
Personal segment	151.6	154.6	-1.9%
<u>Business Segment:</u>			
Commercial auto	24.4	25.2	-3.2%
Commercial multi peril	21.8	21.6	0.9%
Fire & allied lines	20.8	21.3	-2.3%
Other & product liability	18.9	18.8	0.5%
Workers' compensation	8.1	8.2	-1.2%
Other commercial	<u>6.3</u>	<u>6.4</u>	-1.6%
Business segment	<u>100.3</u>	<u>101.5</u>	-1.2%
Total	<u>\$ 251.9</u>	<u>\$ 256.1</u>	-1.6%

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

	<u>3/31/2007</u>	<u>3/31/2006</u>	<u>6/30/2007</u>	<u>6/30/2006</u>
<u>Personal Segment:</u>				
Standard private passenger auto	65.7%	56.0%		57.2%
Nonstandard private passenger auto	61.3%	58.4%		60.8%
Homeowners	56.1%	54.3%		133.8%
Other personal	10.0%	31.9%		108.8%
Personal segment	60.3%	54.8%		82.4%
<u>Business Segment:</u>				
Commercial auto	49.7%	30.3%		38.7%
Commercial multi peril	56.5%	40.7%		75.6%
Fire & allied lines	56.2%	61.5%		110.6%
Other & product liability	40.1%	29.8%		40.5%
Workers' compensation	73.1%	27.4%		63.4%
Other commercial	12.6%	60.7%		40.2%
Business segment	50.3%	40.7%		63.8%
All lines	56.3%	49.2%		75.0%
	<u>9/30/2007</u>	<u>9/30/2006</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
<u>Personal Segment:</u>				
Standard private passenger auto		54.8%		60.0%
Nonstandard private passenger auto		56.3%		64.7%
Homeowners		76.6%		47.9%
Other personal		93.7%		-30.0%
Personal segment		62.9%		53.3%
<u>Business Segment:</u>				
Commercial auto		44.0%		48.1%
Commercial multi peril		64.4%		13.6%
Fire & allied lines		28.2%		32.5%
Other & product liability		38.9%		40.6%
Workers' compensation		68.1%		69.5%
Other commercial		41.3%		42.9%
Business segment		46.1%		37.5%
All lines		56.2%		47.0%

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

	<u>3/31/2007</u>	<u>3/31/2006</u>	<u>6/30/2007</u>	<u>6/30/2006</u>
<u>Personal Segment:</u>				
Standard private passenger auto	65.7%	56.0%		56.6%
Nonstandard private passenger auto	61.3%	58.4%		59.6%
Homeowners	56.1%	54.3%		94.2%
Other personal	10.0%	31.9%		70.2%
Personal segment	60.3%	54.8%		68.6%
<u>Business Segment:</u>				
Commercial auto	49.7%	30.3%		34.5%
Commercial multi peril	56.5%	40.7%		58.3%
Fire & allied lines	56.2%	61.5%		86.0%
Other & product liability	40.1%	29.8%		35.3%
Workers' compensation	73.1%	27.4%		45.7%
Other commercial	12.6%	60.7%		50.4%
Business segment	50.3%	40.7%		52.3%
All lines	56.3%	49.2%		62.1%
	<u>9/30/2007</u>	<u>9/30/2006</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
<u>Personal Segment:</u>				
Standard private passenger auto		56.0%		57.0%
Nonstandard private passenger auto		58.5%		60.0%
Homeowners		88.3%		78.1%
Other personal		78.0%		51.1%
Personal segment		66.7%		63.4%
<u>Business Segment:</u>				
Commercial auto		37.7%		40.3%
Commercial multi peril		60.3%		48.6%
Fire & allied lines		66.8%		58.3%
Other & product liability		36.5%		37.5%
Workers' compensation		53.5%		57.5%
Other commercial		47.4%		46.3%
Business segment		50.2%		47.0%
All lines		60.1%		56.8%

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

<u>Line of Business</u>	<u>Frequency</u>	<u>03/31/2007</u> <u>Severity</u>	<u>Pure Prem</u>
Bodily Injury	-7.9%	0.8%	-7.1%
Property Damage	-4.0%	4.4%	0.3%
Medical Payments	-5.7%	8.8%	2.6%
Personal Injury Prot	2.9%	-1.8%	1.0%
Comprehensive	-3.1%	11.5%	8.1%
Collision	-0.2%	1.4%	1.3%
Total	-2.8%	2.2%	-0.7%