

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

<i>(\$ in millions, except per share amounts)</i>	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
Net premiums written	\$ 307.1	\$ 302.7	\$ 1,293.3	\$ 1,273.5
Earned premiums	323.8	324.0	1,291.9	1,270.5
Net investment income	20.6	17.8	74.7	71.7
Net realized gain on investments	19.9	4.3	36.5	24.3
Other income	0.6	0.5	2.3	2.1
Total revenue	364.9	346.6	1,405.4	1,368.6
Income before federal income taxes	33.1	0.8	19.2	67.3
Federal income tax expense (benefit)	0.6	(2.3)	(1.8)	16.1
Net income	\$ 32.5	\$ 3.1	\$ 21.0	\$ 51.2
Earnings per common share:				
- basic	\$ 0.78	\$ 0.08	\$ 0.50	\$ 1.25
- diluted	\$ 0.77	\$ 0.07	\$ 0.50	\$ 1.23
Earnings (loss) per share from operations ^(A) :				
- basic	\$ 0.47	\$ 0.01	\$ (0.07)	\$ 0.86
- diluted	\$ 0.46	\$ 0.00	\$ (0.07)	\$ 0.85
Weighted average shares outstanding:				
- basic	41.7	41.3	41.6	41.1
- diluted	42.2	41.9	42.0	41.6
Return on average equity (LTM)	2.4%	5.8%		
Book value per share	\$ 21.31	\$ 21.40		
Dividends paid per share	\$ 0.10	\$ 0.10	\$ 0.40	\$ 0.40
Total shares outstanding	41.8	41.3		
GAAP ratios:				
Cat loss and ALAE ratio	5.0	1.3	6.3	4.0
Non-cat loss and LAE ratio	63.6	71.5	66.6	63.9
Loss and LAE ratio	68.6	72.8	72.9	67.9
Expense ratio	32.7	33.4	33.3	33.6
Combined ratio	101.3	106.2	106.2	101.5
^(A) Reconciliation of non-GAAP financial measure:				
Net income (loss) from operations:				
Net income	\$ 32.5	\$ 3.1	\$ 21.0	\$ 51.2
Less net realized gain on investments, less applicable federal income taxes	12.9	2.8	23.7	15.8
Net income (loss) from operations	\$ 19.6	\$ 0.3	\$ (2.7)	\$ 35.4

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	December 31 2016	December 31 2015
<i>(\$ and shares in millions, except per share amounts)</i>		
ASSETS		
Fixed maturities, available-for-sale, at fair value (amortized cost \$2,095.9 and \$1,972.9, respectively)	\$ 2,109.3	\$ 2,000.7
Equity securities, available-for-sale, at fair value (cost \$323.1 and \$265.2, respectively)	382.8	310.6
Other invested assets, available-for-sale, at fair value (cost \$25.5 and \$56.9, respectively)	45.1	85.1
Other invested assets	5.4	5.3
Notes receivable from affiliate	70.0	70.0
Total investments	2,612.6	2,471.7
Cash and cash equivalents	51.1	58.1
Accrued investment income and other assets	40.0	35.7
Deferred policy acquisition costs	129.8	129.1
Reinsurance recoverable on losses and loss expenses payable	3.6	5.9
Prepaid reinsurance premiums	6.1	6.8
Due from affiliate	—	5.9
Current federal income taxes	6.7	4.9
Net deferred federal income taxes	102.1	102.5
Property and equipment, net	7.4	7.6
Total assets	\$ 2,959.4	\$ 2,828.2
LIABILITIES		
Losses and loss expenses payable	\$ 1,181.6	\$ 1,053.0
Unearned premiums	617.8	616.3
Notes payable (affiliates \$15.2 and \$15.2, respectively)	122.1	100.5
Pension and postretirement benefits	74.4	104.0
Due to affiliate	2.4	—
Other liabilities	69.8	69.8
Total liabilities	2,068.1	1,943.6
STOCKHOLDERS' EQUITY		
Common stock, without par value. Authorized 100.0 shares; 48.7 and 48.1 shares issued, respectively, at stated value of \$2.50 per share	121.6	120.4
Treasury stock, 6.8 and 6.8 shares, respectively, at cost	(116.5)	(116.3)
Additional paid-in capital	159.9	153.5
Accumulated other comprehensive income	32.5	37.6
Retained earnings	693.8	689.4
Total stockholders' equity	891.3	884.6
Total liabilities and stockholders' equity	\$ 2,959.4	\$ 2,828.2

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three months ended		Year ended	
	December 31		December 31	
<i>(\$ millions, except per share amounts)</i>	2016	2015	2016	2015
Earned premiums	\$ 323.8	\$ 324.0	\$ 1,291.9	\$ 1,270.5
Net investment income (includes \$1.2 and \$1.2, and \$4.9 and \$4.9, respectively from affiliates)	20.6	17.8	74.7	71.7
Net realized gain on investments	19.9	4.3	36.5	24.3
Other income	0.6	0.5	2.3	2.1
Total revenues	364.9	346.6	1,405.4	1,368.6
Losses and loss expenses	222.2	235.7	942.4	862.8
Acquisition and operating expenses	105.8	108.1	430.4	426.8
Interest expense (includes \$0.2 and \$0.2, and \$0.8 and \$0.7, respectively to affiliates)	1.4	1.4	5.5	5.4
Other expenses	2.4	0.6	7.9	6.3
Total expenses	331.8	345.8	1,386.2	1,301.3
Income before federal income taxes	33.1	0.8	19.2	67.3
Federal income tax expense (benefit):				
Current	(0.2)	(0.4)	(1.7)	2.9
Deferred	0.8	(1.9)	(0.1)	13.2
Federal income tax expense (benefit)	0.6	(2.3)	(1.8)	16.1
Net income	\$ 32.5	\$ 3.1	\$ 21.0	\$ 51.2
Earnings per common share:				
Basic	\$ 0.78	\$ 0.08	\$ 0.50	\$ 1.25
Diluted	\$ 0.77	\$ 0.07	\$ 0.50	\$ 1.23
Dividends paid per common share	\$ 0.10	\$ 0.10	\$ 0.40	\$ 0.40

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

<i>(\$ in millions)</i>	Three months ended		Year ended	
	December 31		December 31	
	2016	2015	2016	2015
Net income	\$ 32.5	\$ 3.1	\$ 21.0	\$ 51.2
Other comprehensive (loss) income, net of tax:				
Net unrealized holding (losses) gains on investments:				
Unrealized holding (losses) gains	(53.7)	6.9	27.8	(39.2)
Reclassification adjustments for gains realized in net income	(19.9)	(4.3)	(36.5)	(24.7)
Income tax benefit (expense)	25.8	(0.9)	3.0	22.4
Total net unrealized holding (losses) gains on investments	<u>(47.8)</u>	<u>1.7</u>	<u>(5.7)</u>	<u>(41.5)</u>
Net unrecognized benefit plan obligations:				
Net actuarial (loss) gain arising during the period	(3.0)	5.3	(3.0)	5.3
Reclassification adjustments for amortization to net income:				
Prior service credit	(1.4)	(1.3)	(5.5)	(5.4)
Net actuarial loss	2.3	2.9	9.4	11.5
Income tax benefit (expense)	0.7	(2.4)	(0.3)	(4.0)
Total net unrecognized benefit plan obligations	<u>(1.4)</u>	<u>4.5</u>	<u>0.6</u>	<u>7.4</u>
Other comprehensive (loss) income, net of tax	<u>(49.2)</u>	<u>6.2</u>	<u>(5.1)</u>	<u>(34.1)</u>
Comprehensive (loss) income, net of tax	<u>\$ (16.7)</u>	<u>\$ 9.3</u>	<u>\$ 15.9</u>	<u>\$ 17.1</u>

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

(unaudited)

(\$ and shares in millions)

	Year Ended December 31 2016	Year Ended December 31 2015
Common shares:		
Balance at beginning of year	48.1	47.7
Issuance of shares	0.6	0.4
Balance at period ended	<u>48.7</u>	<u>48.1</u>
Treasury shares:		
Balance at beginning of year and year ended	<u>(6.8)</u>	<u>(6.8)</u>
Common stock:		
Balance at beginning of year	\$ 120.4	\$ 119.3
Issuance of shares	1.2	1.1
Balance at period ended	<u>121.6</u>	<u>120.4</u>
Treasury stock:		
Balance at beginning of year	\$ (116.3)	\$ (116.0)
Shares acquired on stock option exercises and vested restricted shares	(0.2)	(0.3)
Balance at period ended	<u>(116.5)</u>	<u>(116.3)</u>
Additional paid-in capital:		
Balance at beginning of year	\$ 153.5	\$ 143.2
Issuance of common stock	6.8	5.2
Tax (expense) benefit from stock option exercises	(3.0)	0.3
Stock options granted	2.6	4.8
Balance at period ended	<u>159.9</u>	<u>153.5</u>
Accumulated other comprehensive income:		
Balance at beginning of year	\$ 37.6	\$ 71.7
Change in unrealized gains on investments, net of tax	(5.7)	(41.5)
Change in unrecognized benefit plan obligations, net of tax and reclassification adjustment	0.6	7.4
Balance at period ended	<u>32.5</u>	<u>37.6</u>
Retained earnings:		
Balance at beginning of year	\$ 689.4	\$ 654.7
Net income	21.0	51.2
Cash dividends paid	(16.6)	(16.5)
Balance at period ended	<u>693.8</u>	<u>689.4</u>
Total stockholders' equity at period ended	<u>\$ 891.3</u>	<u>\$ 884.6</u>

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

(unaudited)

	Twelve months ended December 31	
(\$ millions)	2016	2015
Cash flows from operating activities:		
Net income	\$ 21.0	\$ 51.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and other, net	14.6	15.7
Share-based compensation	3.7	4.5
Net realized gain on investments	(36.5)	(24.3)
Changes in operating assets and liabilities:		
Deferred policy acquisition costs	(0.7)	(2.6)
Accrued investment income and other assets	(4.5)	(2.4)
Postretirement and pension benefits	(28.8)	(6.0)
Other liabilities and due to/from affiliate, net	7.3	(39.9)
Reinsurance recoverable on losses and loss expenses payable and prepaid reinsurance premiums	3.0	3.0
Losses and loss expenses payable	128.6	69.8
Unearned premiums	1.5	3.9
Excess tax benefits on share-based awards	(0.2)	(0.3)
Federal income taxes	4.5	13.7
Cash provided from December 31, 2014 unearned premium transfer related to the homeowners quota-share reinsurance arrangement	—	63.5
Net cash provided by operating activities	113.5	149.8
Cash flows from investing activities:		
Purchases of fixed maturities - available-for-sale	(589.3)	(573.9)
Purchases of equity securities - available-for-sale	(143.1)	(154.0)
Purchases of other invested assets	(1.5)	(6.9)
Maturities, calls and principal reductions of fixed maturities - available-for-sale	240.9	241.0
Sales of fixed maturities - available-for-sale	211.6	180.7
Sales of equity securities - available-for-sale	153.0	144.8
Sales of other invested assets	0.8	0.7
Net additions of property and equipment	—	(0.1)
Net cash used in investing activities	(127.6)	(167.7)
Cash flows from financing activities:		
Proceeds from issuance of common stock	2.2	6.2
Payments to acquire treasury shares	(0.2)	(0.3)
Payment of dividends	(16.6)	(16.5)
Excess tax benefits on share-based awards	0.2	0.3
Proceeds from long-term debt	21.5	—
Net cash provided by (used in) financing activities	7.1	(10.3)
Net decrease in cash and cash equivalents	(7.0)	(28.2)
Cash and cash equivalents at beginning of period	58.1	86.3
Cash and cash equivalents at end of period	\$ 51.1	\$ 58.1
<u>Supplemental disclosures:</u>		
Federal income taxes paid	\$ —	\$ 6.4
Interest paid (affiliates \$0.8 and \$0.7, respectively)	\$ 5.4	\$ 5.3

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES

FIXED MATURITIES

(unaudited)

(\$ in millions, at fair value)

	December 31		December 31	
	2016	%	2015	%
Fixed Maturities:				
U.S. treasury securities and obligations of U.S. government agencies	\$ 404.7	19.2%	\$ 224.4	11.2%
Obligations of states and political subdivisions	643.7	30.5%	824.8	41.2%
Corporate securities	449.6	21.3%	494.4	24.7%
U.S. government agencies mortgage-backed securities	611.3	29.0%	457.1	22.9%
Total fixed maturities	<u>\$ 2,109.3</u>	<u>100.0%</u>	<u>\$ 2,000.7</u>	<u>100.0%</u>
Ratings Quality*				
AAA	\$ 62.6	3.0%	\$ 45.0	2.3%
AA**	1,345.7	63.8%	1,243.4	62.1%
A	395.4	18.7%	429.9	21.5%
BBB	294.2	14.0%	282.4	14.1%
Below investment grade	11.4	0.5%	—	—%
Total fixed maturities	<u>\$ 2,109.3</u>	<u>100.0%</u>	<u>\$ 2,000.7</u>	<u>100.0%</u>
TIPS, at fair value	\$ 161.8		\$ 144.0	
TIPS, at amortized cost	\$ 153.2		\$ 138.3	
Obligations of states and political subdivisions:				
By type of bond				
State general obligations	\$ 12.0	1.9%	\$ 30.0	3.6%
Local general obligations	100.6	15.6%	121.0	14.7%
Revenue bonds	351.5	54.6%	423.7	51.4%
Pre Refunded bonds	89.1	13.8%	153.0	18.5%
Other	90.5	14.1%	97.1	11.8%
Total	<u>\$ 643.7</u>	<u>100.0%</u>	<u>\$ 824.8</u>	<u>100.0%</u>
Top 10 States			Top 10 States	
New York	\$ 80.8	12.6%	New York	\$ 90.7 11.0%
Washington	58.2	9.0%	Washington	71.7 8.7%
Texas	56.9	8.8%	Texas	65.4 7.9%
Ohio	51.1	7.9%	Ohio	55.4 6.7%
Louisiana	39.8	6.2%	Louisiana	47.3 5.7%
Georgia	34.2	5.3%	Georgia	37.0 4.5%
North Carolina	23.8	3.7%	North Carolina	35.9 4.4%
Nevada	20.2	3.1%	Pennsylvania	25.5 3.1%
Maryland	18.2	2.8%	Connecticut	24.9 3.0%
District of Columbia	17.7	2.7%	Nevada	20.9 2.5%
Ratings Quality*				
AAA	\$ 47.5	7.4%	\$ 42.3	5.1%
AA**	383.2	59.5%	539.7	65.4%
A	191.8	29.8%	219.9	26.7%
BBB	21.2	3.3%	22.9	2.8%
Total	<u>\$ 643.7</u>	<u>100.0%</u>	<u>\$ 824.8</u>	<u>100.0%</u>

*Based on ratings by nationally recognized rating agencies. All ratings exclude credit enhancements.

**The AA rating category includes securities which have been either pre-refunded or escrowed to maturity.

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES

NET INVESTMENT INCOME

(unaudited)

(\$ in millions)

	<u>12/31/2015</u>	<u>3/31/2016</u>	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>
Quarter to Date					
Gross investment income					
Fixed maturities	\$ 14.9	\$ 15.0	\$ 14.9	\$ 14.2	\$ 15.3
TIPS	—	(0.1)	1.8	1.2	1.1
Total fixed maturities	<u>14.9</u>	<u>14.9</u>	<u>16.7</u>	<u>15.4</u>	<u>16.4</u>
Equity securities	1.8	1.5	1.5	1.3	3.0
Other	1.6	1.4	1.3	1.4	1.5
Total gross investment income	<u>18.3</u>	<u>17.8</u>	<u>19.5</u>	<u>18.1</u>	<u>20.9</u>
Less: Investment expenses	0.5	0.4	0.4	0.5	0.3
Net investment income	<u>\$ 17.8</u>	<u>\$ 17.4</u>	<u>\$ 19.1</u>	<u>\$ 17.6</u>	<u>\$ 20.6</u>
Year to Date					
Gross investment income					
Fixed maturities	\$ 59.1	\$ 15.0	\$ 29.9	\$ 44.1	\$ 59.4
TIPS	2.2	(0.1)	1.7	2.9	4.0
Total fixed maturities	<u>61.3</u>	<u>14.9</u>	<u>31.6</u>	<u>47.0</u>	<u>63.4</u>
Equity securities	6.5	1.5	3.0	4.3	7.3
Other	5.9	1.4	2.7	4.1	5.6
Total gross investment income	<u>73.7</u>	<u>17.8</u>	<u>37.3</u>	<u>55.4</u>	<u>76.3</u>
Less: Investment expenses	2.0	0.4	0.8	1.3	1.6
Net investment income	<u>\$ 71.7</u>	<u>\$ 17.4</u>	<u>\$ 36.5</u>	<u>\$ 54.1</u>	<u>\$ 74.7</u>
	<u>12/31/2015</u>	<u>3/31/2016</u>	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>
TIPS, fair value	\$ 144.0	\$ 143.6	\$ 145.6	\$ 146.6	\$ 161.8
TIPS, book value	\$ 138.3	\$ 131.8	\$ 132.9	\$ 133.5	\$ 153.2

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES

TAXES

(unaudited)

The following table sets forth the tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at December 31, 2016 and 2015:

<i>(\$ in millions)</i>	December 31 2016	December 31 2015
Deferred tax assets:		
Unearned premiums not currently deductible	\$ 42.6	\$ 42.5
Losses and loss expenses payable discounting	19.7	19.3
Postretirement and pension benefits	26.1	36.4
Realized loss on other-than-temporary impairment	4.0	12.3
Other liabilities	16.6	21.3
Net operating loss carryforward	58.9	41.8
Tax credit carryforwards	3.3	4.8
Other	8.8	4.9
Total deferred tax assets	180.0	183.3
Deferred tax liabilities:		
Deferral of policy acquisition costs	45.4	45.2
Net unrealized holding gains on investments	32.5	35.6
Total deferred tax liabilities	77.9	80.8
Net deferred federal income taxes	\$ 102.1	\$ 102.5

The following table sets forth the federal income tax expense components for the three and twelve months ended December 31, 2016 and 2015:

	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
Income before federal income taxes	\$ 33.1	\$ 0.8	\$ 19.2	\$ 67.3
Current tax (benefit) expense	(0.2)	(0.4)	(1.7)	2.9
Deferred tax expense (benefit)	0.8	(1.9)	(0.1)	13.2
Total federal income tax expense (benefit)	0.6	(2.3)	(1.8)	16.1
Net income	\$ 32.5	\$ 3.1	\$ 21.0	\$ 51.2

STATE AUTO FINANCIAL CORPORATION

PREMIUM COMPARISON (\$ millions)

(unaudited)

4TH QUARTER NET WRITTEN PREMIUM

Line of business	Quarter to Date				Year to Date			
	12/31/2016	12/31/2015	\$ Change	% Change	12/31/2016	12/31/2015	\$ Change	% Change
	<u>Personal segment:</u>							
Personal auto	\$ 80.6	\$ 80.3	\$ 0.3	0.4 %	\$ 333.7	\$ 334.4	\$ (0.7)	(0.2)%
Homeowners	48.4	49.2	(0.8)	(1.6)%	213.9	215.8	(1.9)	(0.9)%
Other personal	8.9	8.1	0.8	9.9 %	35.1	32.8	2.3	7.0 %
Personal segment	<u>137.9</u>	<u>137.6</u>	<u>0.3</u>	<u>0.2 %</u>	<u>582.7</u>	<u>583.0</u>	<u>(0.3)</u>	<u>(0.1)%</u>
<u>Business segment:</u>								
Commercial auto	20.0	22.9	(2.9)	(12.7)%	85.9	102.5	(16.6)	(16.2)%
Commercial multi-peril	28.5	28.5	—	— %	117.1	119.9	(2.8)	(2.3)%
Fire & allied lines	18.4	17.5	0.9	5.1 %	73.0	73.6	(0.6)	(0.8)%
Other & product liability	16.2	16.2	—	— %	69.5	73.9	(4.4)	(6.0)%
Workers' compensation	21.8	22.0	(0.2)	(0.9)%	92.0	92.8	(0.8)	(0.9)%
Other commercial	3.7	3.8	(0.1)	(2.6)%	16.3	16.8	(0.5)	(3.0)%
Business segment	<u>108.6</u>	<u>110.9</u>	<u>(2.3)</u>	<u>(2.1)%</u>	<u>453.8</u>	<u>479.5</u>	<u>(25.7)</u>	<u>(5.4)%</u>
<u>Specialty segment:</u>								
E&S property	12.8	8.1	4.7	58.0 %	44.4	44.5	(0.1)	(0.2)%
E&S casualty	23.7	23.1	0.6	2.6 %	99.6	70.5	29.1	41.3 %
Programs	24.0	23.0	1.0	4.3 %	112.7	96.0	16.7	17.4 %
Specialty segment	<u>60.5</u>	<u>54.2</u>	<u>6.3</u>	<u>11.6 %</u>	<u>256.7</u>	<u>211.0</u>	<u>45.7</u>	<u>21.7 %</u>
Total all lines	<u>\$ 307.1</u>	<u>\$ 302.7</u>	<u>\$ 4.3</u>	<u>1.4 %</u>	<u>\$ 1,293.3</u>	<u>\$ 1,273.5</u>	<u>\$ 19.7</u>	<u>1.5 %</u>

4TH QUARTER NET EARNED PREMIUM

Line of business	Quarter to Date				Year to Date			
	12/31/2016	12/31/2015	\$ Change	% Change	12/31/2016	12/31/2015	\$ Change	% Change
	<u>Personal segment:</u>							
Personal auto	\$ 83.3	\$ 83.9	\$ (0.6)	(0.7)%	\$ 330.6	\$ 339.1	\$ (8.5)	(2.5)%
Homeowners	53.9	54.4	(0.5)	(0.9)%	217.7	220.5	(2.8)	(1.3)%
Other personal	8.7	8.1	0.6	7.4 %	33.9	32.2	1.7	5.3 %
Personal segment	<u>145.9</u>	<u>146.4</u>	<u>(0.5)</u>	<u>(0.3)%</u>	<u>582.2</u>	<u>591.8</u>	<u>(9.6)</u>	<u>(1.6)%</u>
<u>Business segment:</u>								
Commercial auto	21.9	25.5	(3.6)	(14.1)%	94.8	101.6	(6.8)	(6.7)%
Commercial multi-peril	29.6	30.2	(0.6)	(2.0)%	119.2	120.0	(0.8)	(0.7)%
Fire & allied lines	18.3	18.7	(0.4)	(2.1)%	73.5	74.9	(1.4)	(1.9)%
Other & product liability	17.4	18.6	(1.2)	(6.5)%	71.0	73.1	(2.1)	(2.9)%
Workers' compensation	23.8	23.4	0.4	1.7 %	93.8	89.3	4.5	5.0 %
Other commercial	4.1	4.3	(0.2)	(4.7)%	16.6	17.1	(0.5)	(2.9)%
Business segment	<u>115.1</u>	<u>120.7</u>	<u>(5.6)</u>	<u>(4.6)%</u>	<u>468.9</u>	<u>476.0</u>	<u>(7.1)</u>	<u>(1.5)%</u>
<u>Specialty segment:</u>								
E&S property	10.5	11.9	(1.4)	(11.8)%	40.4	49.4	(9.0)	(18.2)%
E&S casualty	24.3	20.5	3.8	18.5 %	91.0	64.0	27.0	42.2 %
Programs	28.0	24.5	3.5	14.3 %	109.4	89.3	20.1	22.5 %
Specialty segment	<u>62.8</u>	<u>56.9</u>	<u>5.9</u>	<u>10.4 %</u>	<u>240.8</u>	<u>202.7</u>	<u>38.1</u>	<u>18.8 %</u>
Total all lines	<u>\$ 323.8</u>	<u>\$ 324.0</u>	<u>\$ (0.2)</u>	<u>(0.1)%</u>	<u>\$ 1,291.9</u>	<u>\$ 1,270.5</u>	<u>\$ 21.4</u>	<u>1.7 %</u>

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
2016 STATUTORY LOSS AND ALAE RATIOS

(unaudited)

(\$ millions)

	Earned	Catastrophe	Excluding Cat	Statutory	Loss & ALAE	Loss & ALAE	
	Premium	Loss & ALAE	Loss & ALAE	Loss & LAE	Catastrophe	Excluding Cat	Loss & LAE
					Ratio	Ratio	Ratio
4th Quarter 2016							
<u>Personal Segment:</u>							
Personal auto	\$ 83.3	\$ —	\$ 63.1	\$ 63.1	(0.1)%	75.8%	75.7%
Homeowners	53.9	3.9	16.8	20.7	7.3 %	31.4%	38.7%
Other personal	8.7	(0.3)	5.0	4.7	(3.1)%	56.8%	53.7%
Personal segment	145.9	3.6	84.9	88.5	2.4 %	58.3%	60.7%
<u>Business Segment:</u>							
Commercial auto	21.9	(0.1)	15.9	15.8	(0.1)%	72.3%	72.2%
Commercial multi-peril	29.6	4.4	14.5	18.9	14.9 %	49.2%	64.1%
Fire & allied lines	18.3	1.4	1.5	2.9	7.3 %	7.9%	15.2%
Other & product liability	17.4	—	8.7	8.7	— %	49.8%	49.8%
Workers' compensation	23.8	—	14.0	14.0	— %	58.7%	58.7%
Other commercial	4.1	—	1.7	1.7	(0.1)%	40.8%	40.7%
Business segment	115.1	5.7	56.3	62.0	5.0 %	48.7%	53.7%
<u>Specialty segment:</u>							
E&S property	10.5	6.5	4.1	10.6	61.9 %	38.8%	100.7%
E&S casualty	24.3	0.1	21.2	21.3	0.4 %	87.6%	88.0%
Programs	28.0	0.3	22.5	22.8	1.3 %	80.2%	81.5%
Specialty segment	62.8	6.9	47.8	54.7	11.1 %	76.1%	87.2%
Subtotal all lines - loss and ALAE	323.8	16.2	189.0	205.2	5.0 %	58.4%	63.4%
Total incurred ULAE	—	—	—	17.4			5.3%
Total all lines - loss and LAE	\$ 323.8	\$ 16.2	\$ 189.0	\$ 222.6			68.7%

(\$ millions)

	Earned	Catastrophe	Excluding Cat	Statutory	Loss & ALAE	Loss & ALAE	
	Premium	Loss & ALAE	Loss & ALAE	Loss & LAE	Catastrophe	Excluding Cat	Loss & LAE
					Ratio	Ratio	Ratio
Year to date 2016							
<u>Personal Segment:</u>							
Personal auto	\$ 330.6	\$ 7.1	\$ 243.8	\$ 250.9	2.1 %	73.8%	75.9%
Homeowners	217.7	40.3	82.0	122.3	18.5 %	37.7%	56.2%
Other personal	33.9	3.4	12.0	15.4	10.1 %	35.3%	45.4%
Personal segment	582.2	50.8	337.8	388.6	8.7 %	58.1%	66.8%
<u>Business Segment:</u>							
Commercial auto	94.8	0.9	74.1	75.0	1.0 %	78.2%	79.2%
Commercial multi-peril	119.2	12.8	63.9	76.7	10.8 %	53.6%	64.4%
Fire & allied lines	73.5	9.5	30.6	40.1	12.8 %	41.6%	54.4%
Other & product liability	71.0	—	42.4	42.4	— %	59.7%	59.7%
Workers' compensation	93.8	—	58.4	58.4	— %	62.3%	62.3%
Other commercial	16.6	0.1	5.9	6.0	0.6 %	35.2%	35.8%
Business segment	468.9	23.3	275.3	298.6	5.0 %	58.7%	63.7%
<u>Specialty segment:</u>							
E&S property	40.4	6.9	13.5	20.4	17.0 %	33.5%	50.5%
E&S casualty	91.0	0.1	65.3	65.4	0.1 %	71.8%	71.9%
Programs	109.4	0.5	94.9	95.4	0.5 %	86.7%	87.2%
Specialty segment	240.8	7.5	173.7	181.2	3.1 %	72.2%	75.3%
Subtotal all lines - loss and ALAE	1,291.9	81.6	786.8	868.4	6.3 %	60.9%	67.2%
Total incurred ULAE	—	—	—	75.7			5.9%
Total all lines - loss and LAE	\$ 1,291.9	\$ 81.6	\$ 786.8	\$ 944.1			73.1%

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
2015 STATUTORY LOSS AND ALAE RATIOS

(unaudited)

(\$ millions)

	Earned	Catastrophe	Excluding Cat	Statutory	Loss & ALAE	Loss & ALAE	
4th Quarter 2015	Premium	Loss & ALAE	Loss & ALAE	Loss & LAE	Catastrophe	Excluding Cat	Loss & LAE
					Ratio	Ratio	Ratio
Personal Segment:							
Personal auto	\$ 83.9	\$ 0.2	\$ 69.3	\$ 69.5	0.1 %	82.8 %	82.9 %
Homeowners	54.4	2.0	16.6	18.6	3.8 %	30.3 %	34.1 %
Other personal	8.1	(0.3)	3.6	3.3	(3.4)%	43.5 %	40.1 %
Personal segment	146.4	1.9	89.5	91.4	1.3 %	61.1 %	62.4 %
Business Segment:							
Commercial auto	25.5	0.2	27.1	27.3	0.8 %	105.6 %	106.4 %
Commercial multi-peril	30.2	1.7	19.7	21.4	5.4 %	65.6 %	71.0 %
Fire & allied lines	18.7	0.4	6.6	7.0	2.1 %	35.7 %	37.8 %
Other & product liability	18.6	—	15.3	15.3	— %	82.4 %	82.4 %
Workers' compensation	23.4	—	14.9	14.9	— %	63.6 %	63.6 %
Other commercial	4.3	—	0.5	0.5	0.2 %	11.4 %	11.6 %
Business segment	120.7	2.3	84.1	86.4	1.9 %	69.7 %	71.6 %
Specialty segment:							
E&S property	11.9	—	(2.3)	(2.3)	0.2 %	(19.6)%	(19.4)%
E&S casualty	20.5	—	12.8	12.8	— %	62.6 %	62.6 %
Programs	24.5	0.1	27.3	27.4	0.4 %	111.5 %	111.9 %
Specialty segment	56.9	0.1	37.8	37.9	0.2 %	66.5 %	66.7 %
Subtotal all lines - loss and ALAE	324.0	4.3	211.4	215.7	1.3 %	65.3 %	66.6 %
Total incurred ULAE	—	—	—	20.5			6.3 %
Total all lines - loss and LAE	\$ 324.0	\$ 4.3	\$ 211.4	\$ 236.2			72.9 %

(\$ millions)

	Earned	Catastrophe	Excluding Cat	Statutory	Loss & ALAE	Loss & ALAE	
Year to date 2015	Premium	Loss & ALAE	Loss & ALAE	Loss & LAE	Catastrophe	Excluding Cat	Loss & LAE
					Ratio	Ratio	Ratio
Personal Segment:							
Personal auto	\$ 339.1	\$ 4.6	\$ 236.0	\$ 240.6	1.3 %	69.7 %	71.0 %
Homeowners	220.5	28.9	76.1	105.0	13.1 %	34.5 %	47.6 %
Other personal	32.2	1.6	11.2	12.8	5.0 %	34.7 %	39.7 %
Personal segment	591.8	35.1	323.3	358.4	5.9 %	54.7 %	60.6 %
Business Segment:							
Commercial auto	101.6	0.6	83.8	84.4	0.6 %	82.4 %	83.0 %
Commercial multi-peril	120.0	8.3	73.4	81.7	6.9 %	61.2 %	68.1 %
Fire & allied lines	74.9	6.8	26.8	33.6	9.1 %	35.8 %	44.9 %
Other & product liability	73.1	—	45.4	45.4	— %	62.1 %	62.1 %
Workers' compensation	89.3	—	54.6	54.6	— %	61.1 %	61.1 %
Other commercial	17.1	—	4.3	4.3	0.1 %	25.3 %	25.4 %
Business segment	476.0	15.7	288.3	304.0	3.3 %	60.6 %	63.9 %
Specialty segment:							
E&S property	49.4	0.1	6.9	7.0	0.3 %	13.8 %	14.1 %
E&S casualty	64.0	—	41.2	41.2	— %	64.4 %	64.4 %
Programs	89.3	0.2	73.0	73.2	0.2 %	81.8 %	82.0 %
Specialty segment	202.7	0.3	121.1	121.4	0.2 %	59.7 %	59.9 %
Subtotal all lines - loss and ALAE	1,270.5	51.1	732.7	783.8	4.0 %	57.7 %	61.7 %
Total incurred ULAE	—	—	—	80.5			6.3 %
Total all lines - loss and LAE	\$ 1,270.5	\$ 51.1	\$ 732.7	\$ 864.3			68.0 %

STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES
QUARTERLY DEVELOPMENT OF PRIOR ACCIDENT YEARS ULTIMATE LIABILITY
(unaudited)

<i>(\$ millions)</i>	<u>12/31/2015</u>	<u>3/31/2016</u>	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>
	<i>Redundancy / (Deficiency)</i>				
Non-cat loss and ALAE:					
<u>Personal Segment:</u>					
Personal auto	\$ (9.7)	\$ (3.2)	\$ (4.7)	\$ (0.6)	\$ 0.6
Homeowners	(0.2)	0.1	0.1	(0.2)	(0.4)
Other personal	(0.3)	(0.4)	0.5	—	0.4
Personal segment	<u>(10.2)</u>	<u>(3.5)</u>	<u>(4.1)</u>	<u>(0.8)</u>	<u>0.6</u>
<u>Business Segment:</u>					
Commercial auto	(6.7)	0.2	(4.7)	(0.3)	1.5
Commercial multi-peril	(1.7)	(1.5)	0.2	(1.1)	0.6
Fire & allied lines	0.6	(1.8)	0.1	(0.6)	2.2
Other & product liability	(2.7)	1.7	0.4	0.4	2.0
Workers' compensation	1.6	0.9	(0.3)	1.4	2.2
Other commercial	0.1	0.2	0.2	—	—
Business segment	<u>(8.8)</u>	<u>(0.3)</u>	<u>(4.1)</u>	<u>(0.2)</u>	<u>8.5</u>
<u>Specialty segment:</u>					
E&S property	3.5	(0.3)	(0.9)	0.1	(0.8)
E&S casualty	(2.4)	(0.7)	(1.6)	(1.1)	(1.2)
Programs	(5.1)	(3.9)	(8.7)	(0.8)	(0.9)
Specialty segment	<u>(4.0)</u>	<u>(4.9)</u>	<u>(11.2)</u>	<u>(1.8)</u>	<u>(2.9)</u>
Cat loss and ALAE	—	0.7	0.3	0.3	0.1
ULAE	0.7	(1.6)	(1.5)	(0.7)	0.1
<i>Total</i>	<u>\$ (22.3)</u>	<u>\$ (9.6)</u>	<u>\$ (20.6)</u>	<u>\$ (3.2)</u>	<u>\$ 6.4</u>