STATE AUTO FINANCIAL CORP
Form S-4
December 23, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 23, 2003
REGISTRATION NO. 333-__________

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

STATE AUTO FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

OHIO	6331	31-1324304
(State or other jurisdiction of incorporation or organization	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

518 East Broad Street
Columbus, Ohio 43215-3976
(614) 464-5000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John R. Lowther, Esq.
Senior Vice President, Secretary, and General Counsel
State Auto Financial Corporation
518 East Broad Street
Columbus, Ohio 43215-3976
(614) 464-5000

(Name, address, including zip code, and telephone number, including area code, of registrant's agent for service of process)

Copies to:
Joseph P. Boeckman, Esq.
Baker & Hostetler LLP
65 East State Street, Suite 2100
Columbus, Ohio 43215
Telephone: (614) 462-4737
Facsimile: (614) 462-2616

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount To be Registered	Proposed Maximum Offering Price Per Security	Propose Maximum Aggregat Offerin Price (1
6 1/4% Senior Notes due 2013.....................	$100,000,000	100%	$100,000

(1) Represents the maximum principal amount at maturity of 6 1/4% Senior Notes due 2013 that may be issued pursuant to the exchange offer described in this registration statement. The registration fee was calculated pursuant to Rule 457(f) under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

Information contained in this prospectus is not complete and may be changed. We may not offer these securities for exchange until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated December 23 2003

PROSPECTUS

OFFER TO EXCHANGE ALL

6 1/4% SENIOR NOTES DUE 2013

OF

STATE AUTO FINANCIAL CORPORATION

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON [_______, 2004], UNLESS EXTENDED

TERMS OF THE EXCHANGE OFFER:

- We are offering to exchange $100,000,000 aggregate principal amount of our 6 1/4% Senior Notes due 2013, which have been registered under the Securities Act of 1933, for all of our original unregistered 6 1/4% Senior Notes due 2013 that were originally issued on November 13, 2003.

- The terms of the exchange notes will be substantially identical to the original notes, except for transfer restrictions and registration rights relating to the original notes.

- You may withdraw tendered original notes at any time prior to the expiration of the exchange offer.

- The exchange of original notes will not be a taxable exchange for U.S. federal income tax purposes.

- We will not receive any proceeds from the exchange offer.

- There is no existing market for the exchange notes to be issued, and we do not intend to apply for their listing on any securities exchange or arrange for them to be quoted on any quotation system.

See the section entitled "Description of Notes" that begins on page 42 for more information about the notes to be issued in this exchange offer.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the expiration date of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resales. See "Plan of Distribution."

THIS INVESTMENT INVOLVES RISKS. SEE THE SECTION ENTITLED "RISK FACTORS" THAT BEGINS ON PAGE 11 FOR A DISCUSSION OF THE RISKS THAT YOU SHOULD CONSIDER PRIOR DECIDING WHETHER TO TENDER YOUR ORIGINAL NOTES IN THE EXCHANGE.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This prospectus is dated [__________, 2004].

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Unless the context indicates or otherwise requires, as used in this prospectus, the terms "STFC," "our company," "we," "us," and "our" refer to State Auto Financial Corporation and its consolidated subsidiaries; "State Auto Mutual" refers to State Automobile Mutual Insurance Company, which owns approximately 67% of STFC's outstanding common shares; "State Auto P&C" refers to State Auto Property and Casualty Insurance Company; and the "State Auto Group" refers to the STFC insurance subsidiaries, State Auto Mutual, and the State Auto Mutual insurance subsidiaries and affiliates (see "Business--History and Corporate Structure" on page 22).

WHEN WE REFER TO THIS PROSPECTUS, WE MEAN NOT ONLY THIS PROSPECTUS BUT ALSO ANY DOCUMENTS THAT ARE INCORPORATED OR DEEMED INCORPORATED BY REFERENCE. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE INTO THIS PROSPECTUS OR ANY SUPPLEMENT. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS PROSPECTUS MAY ONLY BE USED WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS DOCUMENT MAY ONLY BE ACCURATE ON THE DATE OF THIS DOCUMENT.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE EXCHANGE NOTES TO ANY PERSON IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly, and current reports, proxy statements, and other information with the U.S. Securities and Exchange Commission ("SEC"). You may read and copy such materials at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of such material by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms. You can also find our SEC reports at the SEC web site (http://www.sec.gov). Such reports, proxy statements, and other documents and information concerning us are also available for inspection at the offices of NASDAQ, 1735 K Street, N.W., Washington, D.C. 20006.

The SEC allows us to "incorporate by reference" the information we file with it, which means that we may disclose important information to you by referring to those documents. The information incorporated by reference is considered to be part of this prospectus, and the information that we later file with the SEC will automatically update and supercede this information. We incorporate by reference the documents listed below and any additional documents filed by us with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended, to the extent that such documents are deemed "filed" with the SEC for purposes of the Exchange Act, until we complete the exchange offer:

- Our Annual Report on Form 10-K for the year ended December 31, 2002;

- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003, and September 30, 2003; and

- Our Current Reports on Form 8-K as filed with the SEC on May 30, 2003, June 4, 2003, June 6, 2003, June 13, 2003, June 30, 2003, July 21, 2003, August 21, 2003, September 2, 2003, October 16, 2003, November 5, 2003, and December 16, 2003.

You may obtain copies of any documents incorporated by reference in this prospectus from us without charge, excluding exhibits to those documents unless we have specifically incorporated by reference such exhibits in this prospectus, by making a request to us by telephone or in writing. Requests should be directed to Terrence L. Bowshier, Director of Investor Relations, State Auto Financial Corporation, 518 East Broad Street, Columbus, Ohio 43215, telephone number (614) 464-5000. If you would like to request copies of these documents, please do so by [_______, 2004], in order to receive them before the expiration of the exchange offer. You can also find any of the documents incorporated by reference into this prospectus, along with any of our other SEC reports, on our web site (http://www.stfc.com).

Any statement contained in this prospectus or in a document incorporated or deemed incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is also or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We have filed a registration statement on Form S-4 with the SEC under the Securities Act with respect to the exchange notes. This prospectus, which constitutes a part of the registration statement on Form S-4, does not contain all the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. We are referring you to the registration statement and to the exhibits for further information with respect to us and the exchange notes. The statements contained in this prospectus concerning the provisions of any document are not necessarily complete, and, in each instance, we refer you to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

All statements other than statements of historical facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, goals and plans, and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "project," "believe," or "continue" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in forward-looking statements have a reasonable basis, we can give no assurance that these expectations will prove to have been correct. Forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" and elsewhere in this prospectus, including, without limitation, the factors set forth below and in conjunction with the forward-looking statements included in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

Factors that could cause actual results to differ materially from our expectations include the following:

- the adequacy of loss reserves;
- negative changes to our financial strength ratings;
- legislative and regulatory developments;
- elimination or restrictions on the use of credit scores in underwriting;
- the inability to attract and retain customers and agents;
- realization of growth and business retention estimates;
- the competitive pricing environment, initiatives by competitors, and other changes in competition;
- interpretation of insurance policy provisions by courts, court decisions regarding coverage and theories of liability, trends in litigation, and changes in claims settlement practices;
- weather conditions, including the severity and frequency of storms, hurricanes, snowfalls, hail, and winter conditions, and the occurrence of significant natural disasters, including earthquakes;
- the occurrence of significant acts of terrorism;
- the availability of, pricing of, and ability to collect reinsurance;
- changes in the mix of our property and casualty book of business;
- fluctuations in interest rates, performance of financial markets, and inflationary pressures on economic sectors that increase the severity of claims;
- general economic and market conditions; and
- the outcome of any future litigation against us.

We assume no obligation to update any forward-looking information contained in this prospectus, as well as any statements incorporated by reference in this prospectus, which speak as of the respective dates thereof, except as otherwise required by law.

PROSPECTUS SUMMARY

The following summary highlights some of the information from this prospectus and does not contain all the information that is important to you. Before deciding to participate in the exchange offer, you should read the entire prospectus and the documents incorporated by reference, including the sections entitled "Disclosure Regarding Forward-Looking Statements" and "Risk Factors" as well as our consolidated financial statements and the related notes.

THE COMPANY

GENERAL

State Auto Financial Corporation is a regional insurance holding company headquartered in Columbus, Ohio. Through our six insurance subsidiaries, we provide personal and commercial insurance for the standard insurance market and automobile insurance for the nonstandard insurance market. Our principal lines of business include standard personal and commercial automobile, nonstandard personal automobile, homeowners, commercial multi-peril, fire, general liability and workers' compensation insurance. We market our insurance products through more than 22,000 independent agents associated with more than 3,400 agencies in 26 states. Our products are marketed primarily in the central and eastern United States, excluding New York, New Jersey, and the New England states. We are affiliated with State Automobile Mutual Insurance Company, which owns approximately 67% of our outstanding common shares.

Our insurance subsidiaries consist of State Auto Property and Casualty Insurance Company, Milbank Insurance Company, Farmers Casualty Insurance Company, State Auto Insurance Company of Ohio, State Auto National Insurance Company, and Mid-Plains Insurance Company. We also have three non-insurance subsidiaries that support our insurance operations. An insurance pooling arrangement, which we refer to as the "State Auto Pool," exists between various insurers in the State Auto Group by which premiums, losses, and underwriting expenses are shared among the pool participants. We receive 80% in the aggregate of this underwriting pool, while State Auto Mutual and certain of its subsidiaries receive 20% in the aggregate.

With a commitment to sound underwriting practices, responsible cost-based pricing, and conservative investments, we have maintained a healthy financial record since we began operations in 1991. Our average annual statutory combined ratio of 100.5% and return on GAAP equity of 11.8% compare favorably with the property and casualty insurance industry average annual statutory combined ratio of 108.4% and return on GAAP equity of 6.8% computed from 1991 through 2002. Through September 30, 2003, our GAAP revenue, assets, and equity have grown at a compound annual growth rate of 19.9%, 19.5%, and 15.2%, respectively, since we began operations in 1991. Combined with our focus on providing outstanding customer service to policyholders and agents, we believe we have earned the reputation as one of the strongest and best managed regional insurance groups in the industry. The State Auto Pool consistently has received A.M. Best Company's A+ (Superior) rating.

COMPETITIVE ADVANTAGES

We believe our success has been built, in part, on the following strengths:

- ADHERENCE TO DISCIPLINED UNDERWRITING PRINCIPLES. We adhere to disciplined and consistent underwriting principles. These principles include insistence on selecting and retaining business based on the merits of each account and a dedication to cost-based pricing, where each line of business is priced at a rate anticipated to generate a profit. No line of business, or classification within major lines, subsidizes another line or classification. We believe our adherence to these disciplined underwriting principles is the primary reason that our company has outperformed the property and casualty insurance industry on a statutory combined ratio basis in every year since 1991.

- FAIR AND EFFICIENT CLAIMS SERVICE. We strive to provide prompt and fair claims service. We maintain a claims contact center 24 hours a day, seven days a week, for receipt of claim calls. Claims may also be reported to the policyholder's independent agent or via the Internet. We make a pledge to our policyholders to make contact with them within two hours of reporting a claim to us. Once an

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automobile repair is made at one of our approved repair facilities, we guarantee that repair for as long as the automobile is owned by our policyholder.

- STRONG INDEPENDENT INSURANCE AGENT NETWORK. We offer our products through more than 22,000 independent insurance agents associated with more than 3,400 agencies in 26 states. We believe the success of our independent insurance agent network, which is our only distribution channel, grows out of our commitment to promote and foster close working relationships with our agents. We seek relationships with agencies where we will be one of their top three insurers, measured on the basis of direct premiums written, for the type of business we desire. Our agents' compensation package includes competitive commission rates and other sales inducements designed to maintain and enhance relationships with existing independent agents as well as to attract new independent agents. We provide our agents with a co-operative advertising program, sales training programs, an agent's stock purchase program, profit-sharing and travel incentives, and agency recognition. We continually monitor our agencies for compatibility with us, taking into account factors such as loss ratio, premium volume, business profiles and relationship history. This allows us to be proactive in helping the agents to enhance profitability and, thus, maintain the advantages of the State Auto affiliation. Our senior management regularly makes itself available to the agency force to reinforce this partnership commitment. We believe each of these elements creates a relationship that has resulted in our independent insurance agents placing quality insurance business with us.

- RISK MITIGATION STRATEGIES. We deploy specific strategies designed to mitigate our exposure to certain risks. We continually seek to diversify our business on a geographic basis. The number of states we operate in has increased from 17 states in 1991 to 26 states in 2003. The concentration of gross written premiums for our property and casualty operations in our largest state, Ohio, has decreased from 28% for the year ended December 31, 1991, to 18.5% for the year ended December 31, 2002. We avoid writing insurance in states that we believe present difficult legislative, judicial and/or regulatory environments for the insurance industry, such as California, Massachusetts, New Jersey, New York, Louisiana, and Texas. Our underwriting guidelines are designed to limit exposures for high-risk insurance matters such as asbestos, workers' compensation, and environmental claims. Our loss and loss expenses liability at December 31, 2002, relating to asbestos, environmental remediation, product liability, mold, and other highly uncertain exposures was approximately 1% of our net loss and loss expenses liability. Our catastrophe management strategies are designed to mitigate our exposure to earthquakes and hurricanes. We believe these efforts have played a significant role in our underwriting profitability and have been very effective in controlling our catastrophe reinsurance costs.

- CONSERVATIVE INVESTMENT STRATEGY. We have a conservative investment strategy that emphasizes the quality of our fixed income portfolio, which comprised 90.8% of our total portfolio at September 30, 2003, and includes only investment grade securities. We have a disciplined approach to the equity portion of our portfolio, which comprised 6.7% of our total portfolio at September 30, 2003, that emphasizes large capitalization, dividend-paying companies. We select equity investments based on a stock's potential for appreciation as well as ability to continue paying dividends.

- EXPERIENCED SENIOR MANAGEMENT TEAM. Our senior management team has extensive experience with our company and in the insurance industry. This management team has led us through various industry cycles and has managed our growth through both strategic acquisitions and internal expansion, including the 2001 acquisition of the Meridian insurance companies. This experience has proved invaluable in the integration of Meridian's operations into ours and has guided us in the migration of Meridian policies into our policies, pricing, underwriting, and claims philosophies. Twelve of our 15-person senior management team have over 11 years with the State Auto Group (seven have over 20 years), led by Robert H. Moone, our Chairman, President, and Chief Executive Officer, who has over 33 years with the State Auto Group.

ADDITIONAL INFORMATION ABOUT OUR COMPANY

State Auto Financial Corporation is an Ohio corporation. Our principal executive offices are located at 518 East Broad Street, Columbus, Ohio 43215. The telephone number of our executive offices is (614) 464-5000.

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RECENT DEVELOPMENTS

On August 20, 2003, Gregory M. Shepard, who owns approximately 5.1% of our outstanding common shares, and his wholly owned corporation filed a Schedule TO with the SEC relating to a proposed tender offer to purchase 8.0 million of our outstanding common shares at a price of $32.00 per share, subject to certain conditions. This tender offer, which we refer to as the "Shepard tender offer," was commenced on September 11, 2003. The Shepard tender offer has been extended two times and currently is scheduled to expire at 5:00 p.m., New York City time, on February 13, 2004, unless further extended by Mr. Shepard. On September 1, 2003, our Board of Directors and a special committee of its independent directors were informed that State Auto Mutual's Board of Directors, based on the unanimous recommendation of a special committee of its independent directors, had unanimously determined to: (1) oppose and reject the Shepard tender offer because it is not in the best interests of State Auto Mutual, its policyholders and its other constituencies; (2) decline and refuse to turn over control of State Auto Mutual and its affiliates, including STFC, to Mr. Shepard because the transfer of such control would not be in the best interests of State Auto Mutual, its policyholders, and its other constituencies; (3) decline and refuse to provide financing to Mr. Shepard or his company (Mr. Shepard and his company intend to have State Auto Mutual borrow at least $256 million through the issuance of surplus notes to finance the Shepard tender offer); and (4) vote State Auto Mutual's common shares of STFC against approval of the Shepard tender offer if submitted to a vote of STFC's shareholders. On September 1, 2003, our Board of Directors and a special committee of its independent directors met and each unanimously determined that the Shepard tender offer was impossible to complete because certain essential conditions of the tender offer could not be met and that the Shepard tender offer is illusory. Our Board of Directors has unanimously recommended to our shareholders that they reject the Shepard tender offer and not tender their shares to Mr. Shepard or his company pursuant to the Shepard tender offer. See "Business--Tender Offer by Minority Shareholder." See also "Business--Legal Proceedings" for information concerning litigation related to the Shepard tender offer.

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THE EXCHANGE OFFER

THE INITIAL OFFERING OF NOTES...............	On November 13, 2003, we issued in a private pla Senior Notes due 2013, which we refer to as the The initial purchasers of those notes subsequent qualified institutional buyers pursuant to Rule Securities Act and to persons outside the United Regulation S.
REGISTRATION RIGHTS AGREEMENT...............	Contemporaneously with the initial sale of the o entered into a registration rights agreement wit purchasers of those notes in which we agreed, am to file a registration statement with the SEC an exchange offer as promptly as possible. This exc intended to satisfy those rights set forth in th rights agreement. After the exchange offer is co not have any further rights under the registrati agreement, including the right to require us to original notes that you do not exchange or to pa damages.
THE EXCHANGE OFFER.........................	We are offering to exchange $100.0 million aggre amount of our 6 1/4% Senior Notes due 2013, whic the "exchange notes." The exchange notes have be under the Securities Act for the same aggregate as the original notes. The terms of the exchange notes are identical in respects to the terms of the original notes for being exchanged. The original notes may be tendered only in $1,00 will exchange the applicable exchange notes for that are validly tendered and not withdrawn prio

expiration of the exchange offer. We will cause
effected promptly after the expiration of the ex

The new registered exchange notes will evidence
the old original notes and will be issued under
the benefits of the same indenture that governs
notes. Holders of the original notes do not have
dissenter rights in connection with the exchange
have registered the exchange notes, the exchange
subject to transfer restrictions and holders of
will have no registration rights.

RECORD DATE................................ We mailed this prospectus and the related offer
registered holders of the original notes on [___

EXPIRATION DATE............................ The exchange offer will expire at 5:00 p.m., New
on [_________________, 2004], unless we decide t
expiration date; provided, however, that the lat
to which the exchange offer may be extended is a
York City time, on [_________, 2004].

CONDITIONS TO THE EXCHANGE OFFER........... The exchange offer is subject to customary condi
that the exchange offer not violate applicable l
applicable interpretation of the staff of the SE
offer is not conditioned upon any minimum princi
original notes being tendered.

PROCEDURES FOR TENDERING NOTES............. If you wish to tender your original notes for ex
must:

- complete and sign the enclosed
transmittal by following the r
instructions; and

- send the letter of transmittal
the instructions, together wit
required documents, to the exc
either (1) with the original n
tendered, or (2) in compliance
specified procedures for guara
the original notes.

Brokers, dealers, commercial banks, trust compan
nominees may also effect tenders by book-entry t

Please do not send your letter of transmittal or
representing your original notes to us. Those do
sent only to the exchange agent. Questions regar
and requests for information should be directed
agent. See "The Exchange Offer--Exchange Agent."

IF YOU FAIL TO EXCHANGE YOUR
ORIGINAL NOTES............................. If you do not exchange your original notes for e
the exchange offer, you will continue to be subj
restrictions on transfer provided in the origina
indenture governing those notes. In general, you

sell your original notes unless they are registe
federal securities laws or are sold in a transac
or not subject to the registration requirements
securities laws and applicable state securities

RESALE OF THE EXCHANGE NOTES................

Except as provided below, we believe that the ex
be offered for resale, resold, and otherwise tra
without compliance with the registration and pro
provisions of the Securities Act provided that:

- the exchange notes are being
ordinary course of business;

- you are not participating, do
participate, and have no arra
understanding with any person
the distribution of the excha
to you in the exchange offer;

- you are not an affiliate of o

- you are not a broker-dealer t
notes acquired directly from
account; and

- you are not prohibited by law
the SEC from participating in
offer.

Our belief is based on interpretations by the St
set forth in no-action letters issued to third p
to us. The Staff has not considered this exchang
context of a no-action letter, and we cannot ass
Staff would make similar determinations with res
exchange offer. If any of these conditions are n
if our belief is not accurate) and you transfer
issued to you in the exchange offer without deli
prospectus meeting the requirements of the Secur
without an exemption from registration of your e
those requirements, you may incur liability unde
Act. We will not assume, nor will we indemnify y
such liability.

Each broker-dealer that receives exchange notes
account in exchange for original notes, where th
were acquired by such broker-dealer as a result
or other trading activities, must acknowledge th
a prospectus in connection with any resale of su
See "Plan of Distribution."

SPECIAL PROCEDURES FOR BENEFICIAL
OWNERS.....................................

If your original notes are registered in the nam
dealer, commercial bank, trust company, or other
you to contact that person promptly if you wish
original notes pursuant to this exchange offer.
Offer--Procedures for Tendering."

WITHDRAWAL RIGHTS...........................	You may withdraw the tender of your original not before the expiration date of the exchange offer written notice of your withdrawal to the exchang follow the withdrawal procedures as described un "The Exchange Offer--Withdrawal of Tenders."
EXCHANGE AGENT.............................	Fifth Third Bank is serving as exchange agent fo offer.
FEDERAL INCOME TAX CONSIDERATIONS...........	The exchange of the original notes for the excha exchange offer should not be a taxable event for income tax purposes. See "Certain United States Considerations"
USE OF PROCEEDS............................	We will not receive any proceeds from the issuan notes pursuant to the exchange offer. We will pa expenses incident to the exchange offer.

THE EXCHANGE NOTES

The form and terms of the exchange notes are the same as the form and terms of the original notes for which they are being exchanged, except that the exchange notes will be registered under the Securities Act. As a result, the exchange notes will not bear legends restricting their transfer and will not have the benefit of the registration rights and liquidated damage provisions contained in the original notes. The exchange notes represent the same debt as the original notes for which they are being exchanged. Both the original notes and the exchange notes are governed by the same indenture. We use the term "notes" in this prospectus to collectively refer to the original notes and the exchange notes.

ISSUER.....................................	State Auto Financial Corporation
NOTES OFFERED..............................	$100,000,000 aggregate principal amount of 6 1/4 2013.
MATURITY...................................	November 15, 2013.
INTEREST PAYMENT DATES.....................	May 15 and November 15 of each year, beginning o
RANKING....................................	The exchange notes will be our unsecured senior will rank equally with our existing and future s and senior to our existing and future subordinat The exchange notes will not be guaranteed by any subsidiaries and therefore will be effectively s indebtedness and liabilities of our subsidiaries notes will be effectively subordinated to any of secured indebtedness to the extent of the value securing that debt. We currently have no secured

OPTIONAL REDEMPTION........................	We may redeem some or all of the exchange notes price equal to the greater of 100% of the princi notes or a "make-whole" amount, plus, in each ca interest to the date of redemption. The "make-wh be based on U.S. Treasury rates as specified in memorandum under "Description of the Notes--Opti Redemption."
CERTAIN COVENANTS..........................	The indenture under which the exchange notes wil contains covenants that, among other things, lim that of certain of our subsidiaries to: - issue indebtedness secured by of certain of our subsidiarie - sell the capital stock of cer subsidiaries

The indenture also contains covenants that:

- require us to take certain ac we engage in mergers, consoli of all or substantially all o
- prohibit us from engaging in if we are in default under th

ABSENCE OF AN ESTABLISHED MARKET FOR THE NOTES.......................	The exchange notes are new issues of securities, there is no market for them. The initial purchas original notes have advised us that they intend for the exchange notes but they are not obligate initial purchasers may discontinue any market ma exchange notes at any time in their sole discret we cannot assure you that a liquid market will d exchange notes.

For additional information regarding the exchange notes, see "Description of Notes" on page 42.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth summary consolidated financial data and should be read in conjunction with our consolidated financial statements and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference into this prospectus from our annual report on Form 10-K for the year ended December 31, 2002, and our quarterly report on Form 10-Q for the quarter ended September 30, 2003. The operating results for the nine months ended September 30, 2003, are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2003.

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,				
	1998	1999	2000	2001	2
	(DOLLARS IN THOUSANDS)				
STATEMENTS OF INCOME DATA:					
Earned premiums	$ 356,210	$ 392,058	$ 397,967	$ 555,207	$ 8
Net investment income	32,506	34,262	38,915	47,375	
Net realized gains on investments	2,925	2,555	5,255	1,962	
Other income	10,418	11,996	20,637	18,728	
Total revenues	402,059	440,871	462,774	623,272	9
Losses and loss expenses	242,294	264,628	272,167	427,074	6
Acquisition and operating expenses	104,224	111,772	119,569	167,207	2
Interest expense	--	955	2,730	2,275	
Other expense, net	5,936	6,531	6,864	8,740	
Total expenses	352,454	383,886	401,330	605,296	9
Income before federal income taxes	49,605	56,985	61,444	17,976	
Income taxes	12,108	14,169	13,730	(2,639)	
Net income	$ 37,497	$ 42,816	$ 47,714	$ 20,615	$
GAAP RATIOS:					
Loss and LAE ratio (1)	68.0	67.5	68.4	76.9	
Expense ratio (2)	29.3	28.5	30.0	30.1	
Combined ratio	97.3	96.0	98.4	107.0	
BALANCE SHEET DATA (AT PERIOD END):					
Total investments	$ 579,966	$ 627,305	$ 750,870	$ 1,138,656	$ 1,2
Total assets	717,520	759,945	898,106	1,367,496	1,5
Losses and loss expense payable	217,450	232,489	244,583	523,860	6
Total debt	--	45,500	45,500	45,500	
Total stockholders' equity	340,824	317,687	386,059	400,193	4
Ratio of earnings to fixed charges (3)	43.8x	24.3x	16.5x	5.5x	

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(1) Ratio of losses and loss adjustment expenses to earned premiums.

(2) Ratio of acquisition and operating expenses to earned premiums.

(3) For purposes of computing the ratio of earnings to fixed charges, earnings represent income from continuing operations before income taxes and

cumulative effect of change in accounting principles, plus fixed charges net of capitalized interest. Fixed charges include interest expense (including interest on deposit contracts), amortization of deferred debt expense and the proportion deemed representative of the interest factor of rent expense.

RISK FACTORS

Prospective participants in the exchange offer should carefully consider all of the information contained in and incorporated by reference into this prospectus, including the risks and uncertainties described below. The risk factors set forth below (with the exception of the Risk Factors associated with the exchange offer) are generally applicable to the original notes as well as the exchange notes.

RISK FACTORS ASSOCIATED WITH THE EXCHANGE OFFER

IF YOU FAIL TO FOLLOW THE EXCHANGE OFFER PROCEDURES, YOUR NOTES WILL NOT BE ACCEPTED FOR EXCHANGE.

We will not accept your notes for exchange if you do not follow the exchange offer procedures. We will issue exchange notes as part of this exchange offer only after timely receipt of your original notes, properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your original notes, please allow sufficient time to ensure timely delivery. If we do not receive your original notes, letter of transmittal, and all other required documents by the expiration date of the exchange offer, or you do not otherwise comply with the guaranteed delivery procedures for tendering your notes, we will not accept your original notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of original notes for exchange. If there are defects or irregularities with respect to your tender of original notes, we will not accept your original notes for exchange unless we decide in our sole discretion to waive such defects or irregularities.

IF YOU FAIL TO EXCHANGE YOUR ORIGINAL NOTES FOR EXCHANGE NOTES, THEY WILL CONTINUE TO BE SUBJECT TO THE EXISTING TRANSFER RESTRICTIONS AND YOU MAY NOT BE ABLE TO SELL THEM.

We did not register the original notes, nor do we intend to do so following the exchange offer. Original notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. As a result, if you hold original notes after the exchange offer, you may not be able to sell them. To the extent any original notes are tendered and accepted in the exchange offer, the trading market, if any, for the original notes that remain outstanding after the exchange offer may be adversely affected due to a reduction in market liquidity.

BECAUSE THERE IS NO PUBLIC MARKET FOR THE EXCHANGE NOTES, YOU MAY NOT BE ABLE TO RESELL THEM.

The exchange notes will be registered under the Securities Act but will constitute a new issue of securities with no established trading market, and there can be no assurance as to the liquidity of any trading market that may develop, the ability of holders to sell their exchange notes, or the price at which the holders will be able to sell their exchange notes.

We understand that certain of the initial purchasers of the original notes presently intend to make a market in the exchange notes. However, they are not obligated to do so, and any market-making activity with respect to the exchange notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the exchange offer or the pendency of an applicable shelf registration statement. There can be no assurance that an active market will exist for the exchange notes or that any trading market that does develop will be liquid.

RISK FACTORS RELATED TO INVESTMENT IN THE EXCHANGE NOTES

THE NOTES WILL BE EFFECTIVELY SUBORDINATED TO ALL INDEBTEDNESS AND OTHER LIABILITIES OF OUR SUBSIDIARIES.

As a holding company, we conduct substantially all of our operations through our subsidiaries. None of our subsidiaries will guarantee the notes or otherwise have any obligations to make payments in respect of the notes, which will be our direct, unsecured obligations. As a result, claims of holders of the notes will be effectively subordinated to the indebtedness and other liabilities of our subsidiaries, including the losses and loss expenses of

our insurance subsidiaries. In the event of any bankruptcy, liquidation, dissolution, or similar proceeding involving one of our subsidiaries, any of our rights or the rights of the holders of the notes to participate in the assets of that subsidiary will be effectively subordinated to the claims of creditors of that subsidiary (including any policyholders, trade creditors, debt holders, secured creditors, taxing authorities, and guarantee holders), and following payment by that subsidiary of its liabilities, the subsidiary may not have sufficient assets remaining to make payments to us as a shareholder or otherwise. In addition, if we caused a subsidiary to pay a dividend to enable us to make payments in respect of the notes and such a transfer were deemed a fraudulent transfer or an unlawful distribution, the holders of the notes could be required to return the payment to (or for the benefit of) the creditors of our subsidiaries. As of September 30, 2003, after giving pro forma effect to the issuance of the notes and the application of the net proceeds therefrom, our subsidiaries would have had no indebtedness for borrowed money and approximately $1.2 billion in the aggregate of other liabilities, all of which are effectively senior to the notes offered hereby.

IF WE BECOME INSOLVENT, HOLDERS OF SECURED DEBT WOULD BE PAID FIRST AND WOULD RECEIVE PAYMENTS FROM OUR ASSETS USED AS SECURITY BEFORE YOU WOULD RECEIVE PAYMENTS.

The notes will not be secured by any of our assets or the assets of our subsidiaries. Although we currently have no secured indebtedness, the indenture governing the notes will generally permit us to incur future secured indebtedness. If we were to become insolvent, holders of any future secured indebtedness would be paid first and would receive payments from our assets used as security before you would receive any payments. You may therefore not be fully repaid if we become insolvent.

THE INABILITY OF OUR SUBSIDIARIES TO PAY US DIVIDENDS COULD ADVERSELY AFFECT OUR ABILITY TO PAY INTEREST AND PRINCIPAL ON THE NOTES.

Our subsidiaries are separate and distinct legal entities and will have no obligation, contingent or otherwise, to pay any dividends or make any other distribution to us or to otherwise pay amounts due or to make specific funds available for such payments with respect to the notes. As a holding company, our ability to pay our obligations, including interest and principal on the notes, will depend primarily upon our receipt of dividends from our subsidiaries. Our insurance subsidiaries are restricted by the insurance laws of their respective states of domicile as to the amount of dividends they may pay to us without the prior approval of their respective regulatory authorities. Under these current laws, a total of $35.3 million is available for payment to us as dividends from our insurance subsidiaries during 2003 without prior regulatory approval. If any of our subsidiaries are limited in their ability to pay dividends to us in the future, this could impair our ability to pay interest and principal due on the notes.

RISK FACTORS RELATED TO OUR COMPANY

IF OUR ESTIMATED LIABILITY FOR LOSSES AND LOSS EXPENSES IS INCORRECT, OUR RESERVES MAY BE INADEQUATE TO COVER OUR ULTIMATE LIABILITY FOR LOSSES AND LOSS EXPENSES AND MAY HAVE TO BE INCREASED.

We establish and carry, as a liability, reserves based on actuarial estimates of how much we will need to pay for future claims. We maintain loss reserves to cover our estimated ultimate unpaid liability for losses and loss expenses with respect to reported and unreported claims incurred as of the end of each accounting period. Reserves do not represent an exact calculation of liability, but instead represent estimates, generally using actuarial projection techniques at a given accounting date. These reserve estimates are expectations of what the ultimate settlement and administration of claims will cost based on our assessment of facts and circumstances then known, review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability, and other factors. Variables in the reserve estimation process can be affected by both internal and external events, such as changes in claims handling procedures, trends in loss costs, economic inflation, legal trends, and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis. Additionally, there may be a significant reporting lag between the occurrence of an insured event and the time it is actually reported to the insurer. We refine reserve estimates in a regular ongoing process as historical loss experience develops and additional claims are reported and settled. We record adjustments to reserves in the results of operations for the periods in which the estimates are changed. In establishing reserves, we take into account estimated recoveries for reinsurance, salvage, and subrogation.

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Because establishing reserves is an inherently uncertain process involving estimates, currently established reserves may not be adequate. If we conclude that estimates are incorrect and our reserves are inadequate, we are obligated to increase our reserves. An increase in reserves results in an increase in losses and a reduction in our net income for the period in which the deficiency in reserves is identified. Accordingly, an increase in reserves could have a material adverse effect on our results of operations, liquidity, and financial condition and our ability to pay the notes. At September 30, 2003, for every 1% change in our reserves, our pre-tax income would be affected by approximately $6.3 million.

ACQUISITIONS SUBJECT US TO A NUMBER OF FINANCIAL AND OPERATIONAL RISKS.

During the past several years, we and State Auto Mutual have acquired other insurance companies, such as Meridian, Milbank Insurance Company, Farmers Casualty Insurance Company, and Midwest Security Insurance Company (now known as State Auto Insurance Company of Wisconsin), and it is anticipated that we and State Auto Mutual may continue to pursue acquisitions of other insurance companies in the future. Acquisitions involve numerous risks and uncertainties, such as:

- obtaining necessary regulatory approvals of the acquisition may prove to be more difficult than anticipated;

- integrating the acquired business may prove to be more costly than anticipated;

- integrating the acquired business without material disruption to existing operations may prove to be more difficult than anticipated;

- anticipated cost savings may not be fully realized (or not realized within the anticipated time frame);

- loss results of the company acquired may be worse than expected; and

- retaining key employees of the acquired business may prove to be more difficult than anticipated.

In addition, other companies in the insurance industry have similar acquisition strategies. Competition for acquisitions may intensify or we may not be able to complete such acquisitions on terms and conditions acceptable to us. Additionally, the costs of unsuccessful acquisition efforts may adversely affect our financial performance.

A DOWNGRADE IN OUR FINANCIAL STRENGTH RATINGS MAY NEGATIVELY AFFECT OUR BUSINESS.

Insurance companies are subject to financial strength ratings produced by external rating agencies. Higher ratings generally indicate financial stability and a strong ability to pay claims. Ratings are assigned by rating agencies to insurers based upon factors that they believe are relevant to policyholders. Ratings are important to maintaining public confidence in our company and in our ability to market our products. A downgrade in our financial strength ratings could, among other things, negatively affect our ability to sell certain insurance products, our relationships with agents, new sales, and our ability to compete.

Although other agencies cover the property and casualty industry, we believe our ability to write business is most influenced by our rating from A.M. Best. According to A.M. Best, its ratings are designed to assess an insurer's financial strength and ability to meet ongoing obligations to policyholders. Our insurance subsidiaries currently have a rating from A.M. Best Company of A+ (Superior) (the second highest of A.M. Best's 15 ratings), other than Mid-Plains, which has a rating of A- (Excellent) (the fourth highest of A.M. Best's 15 ratings). We may not be able to maintain our current A.M. Best ratings.

ELIMINATION OR SIGNIFICANT RESTRICTION OF THE USE OF CREDIT-SCORING IN THE PRICING AND UNDERWRITING OF PERSONAL LINES PRODUCTS COULD REDUCE OUR FUTURE PROFITABILITY.

Our personal lines business uses insurance-scoring as a factor in making risk selection and pricing decisions. Where allowed by state law, an individual's credit score is one of the criteria used to develop an

insurance score. Recently, some consumer groups and regulators have questioned whether the use of credit-scoring unfairly discriminates against people with low incomes, minority groups, and the elderly, and are calling for the prohibition of or restrictions on the use of credit-scoring in underwriting and pricing. Some states have enacted, and a number of state legislatures and insurance regulatory agencies are currently considering, laws or regulations that would significantly curtail the use of credit-scoring in the underwriting process. The enactment of such laws or regulations in a large number of states could reduce our future profitability.

OUR INVESTMENT PORTFOLIO MAY SUFFER REDUCED RETURNS OR LOSSES THAT COULD REDUCE OUR PROFITABILITY.

Investment returns are an important part of our overall profitability, and fluctuations in the fixed income or equity markets could impair our profitability, financial condition, and/or cash flows. Net investment income and net realized investment gains accounted for 6.8% of our consolidated revenues for the year ended December 31, 2002, and 7.3% of our consolidated revenues for the nine months ended September 30, 2003.

Fixed income and short-term investments comprised 95.9% of the market value of our investment portfolio at December 31, 2002, and 92.7% at September 30, 2003. Fluctuations in interest rates affect our returns on, and the market value of, these fixed income and short-term investments. In addition, defaults by third parties in the payment or performance of their obligations, primarily from our investments in corporate and municipal bonds, could reduce our investment income and realized investment gains or result in investment losses.

Equity investments comprised 3.9% of the market value of our investment portfolio at December 31, 2002, and 6.7% at September 30, 2003. Equity investments generally provide higher expected total returns, but are subject to greater volatility and present greater risk than our fixed income investments. General economic conditions, stock market conditions, and many other factors beyond our control can adversely affect the value of our equity investments and our ability to control the timing of the realization of investment income. When a security in our investment portfolio has a decline in fair value that is other than temporary, we adjust the cost basis of the security to fair value, which would reduce earnings as a realized loss. This charge to earnings is not changed for subsequent recoveries in fair value.

OUR INDEPENDENT AGENTS SELL INSURANCE PRODUCTS OF OUR COMPETITORS, AND IF WE ARE UNABLE TO ATTRACT AND RETAIN THE BEST AGENTS OR PERSUADE THEM TO DEVOTE SUFFICIENT ATTENTION TO OUR PRODUCTS, OUR SALES AND RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED.

We market and sell our insurance products through independent, non-exclusive insurance agents, whereas some of our competitors sell their insurance products through insurance agents who sell products exclusively for one insurance company. If we are unsuccessful in attracting and retaining productive agents to sell our insurance products, our sales and results of operations could be adversely affected. The agents through which we market and sell our products also sell our competitors' products. These agents may recommend our competitors' products over our products or may stop selling our products altogether. Additionally, we compete with our competitors for productive agents, primarily on the basis of our financial position, support services and compensation and product features. Although we make efforts to ensure that we have strong relationships with our independent agents and to persuade them to promote and sell our products, we may not be successful in these efforts.

STATE AUTO MUTUAL OWNS A SIGNIFICANT INTEREST IN US AND MAY EXERCISE ITS CONTROL IN A MANNER DETRIMENTAL TO YOUR INTERESTS.

State Auto Mutual currently controls approximately 67% of the voting power of our company. Therefore, State Auto Mutual has the power to direct our affairs and is able to determine the outcome of substantially all matters required to be submitted to shareholders for approval, including the election of all our directors. State Auto Mutual could exercise its control over us in a manner detrimental to your interests.

RISK FACTORS RELATED TO OUR INDUSTRY

DEVELOPING CLAIM AND COVERAGE ISSUES IN OUR INDUSTRY ARE UNCERTAIN AND MAY ADVERSELY AFFECT OUR INSURANCE OPERATIONS.

As industry practices and legislative, judicial, and regulatory conditions change, unexpected and unintended issues related to claims and coverage may develop. These issues could have an adverse effect on our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. The premiums we charge for our insurance products are based upon certain risk expectations. When the legislative, judicial, or regulatory authorities expand the burden of risk beyond our expectations, the premiums we previously charged or collected may no longer be sufficient to cover the risk, and we do not have the ability to retroactively modify premium amounts. Recent examples of these claims and coverage issues include:

- changes in interpretation of the named insured provision with respect to the uninsured/underinsured motorist coverage in commercial auto policies that broaden the definition of the named insured;

- a growing trend of plaintiffs targeting property and casualty insurers, including us, in purported class action litigation relating to claim-handling and other practices, particularly with respect to the handling of personal lines auto and homeowners claims; and

- increases in the number and size of water damage claims related to expenses for testing and remediation of mold conditions.

Many of these issues are beyond our control. The effects of these and other unforeseen claims and coverage issues are extremely hard to predict and could materially harm our business and results of operations.

THE OCCURRENCE OF CATASTROPHIC EVENTS COULD MATERIALLY REDUCE OUR PROFITABILITY.

Our insurance operations expose us to claims arising out of catastrophic events. We have experienced, and will in the future experience, catastrophe losses that may cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Our ability to write new business also could be affected. Catastrophes can be caused by various natural events, including hurricanes, hailstorms, windstorms, earthquakes, explosions, severe winter weather, and fires, none of which are within our control. Catastrophe losses can vary widely and could significantly exceed our recent historic results. The frequency and severity of catastrophes are inherently unpredictable.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes and earthquakes may produce significant damage in larger areas, especially those that are heavily populated. Although catastrophes can cause losses in a variety of our property and casualty lines, most of our catastrophe claims in the past have related to homeowners and other personal lines coverages. The geographic distribution of our business subjects us to catastrophe exposure from hailstorms and earthquakes in the Midwest as well as catastrophe exposure from hurricanes in Florida and the Gulf Coast, southern coastal states, and Mid-Atlantic regions. In the last five years, the largest catastrophe to affect our results of operations occurred between May 2 and May 11, 2003, when tornadoes, hailstorms, and windstorms caused damage in 17 of our 26 operating states resulting in approximately $39.2 million in pre-tax losses.

We believe that increases in the value and geographic concentration of insured property and the effects of inflation could increase the severity of claims from catastrophic events in the future. In addition, states have from time to time passed legislation that has the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation prohibiting insurers from withdrawing from catastrophe-prone areas. Although we attempt to reduce the impact on our business of a catastrophe through the purchase of reinsurance covering various categories of catastrophes, reinsurance may prove inadequate if a major catastrophic loss exceeds the reinsurance limit, or an insurance subsidiary pays a number of smaller catastrophic loss claims that, individually, fall below the subsidiary's retention level.

OUR BUSINESS IS HEAVILY REGULATED, AND CHANGES IN REGULATION MAY REDUCE OUR PROFITABILITY AND LIMIT OUR GROWTH.

We are subject to extensive regulation in the states in which we conduct business. This regulation is generally designed to protect the interests of policyholders, as opposed to shareholders and other investors, and relates to authorization for lines of business, capital, and surplus requirements; investment limitations; underwriting limitations; transactions with affiliates; dividend limitations; changes in control; premium rates; and a variety of other financial and nonfinancial components of an insurance company's business.

In recent years, the state insurance regulatory framework has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance companies and insurance holding companies. Further, the National Association of Insurance Commissioners, or NAIC, and state insurance regulators are reexamining existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws, and the development of new laws. In addition, Congress and some federal agencies from time to time investigate the current condition of insurance regulation in the United States to determine whether to impose federal regulation or to allow an optional federal incorporation, similar to banks. We cannot predict with certainty the effect any proposed or future legislation or NAIC initiatives may have on the conduct of our business. In addition, the insurance laws or regulations adopted or amended from time to time may be more restrictive or may result in materially higher costs than current requirements. Although the federal government does not directly regulate the insurance business, changes in federal legislation and administrative policies in several areas, including changes in the Gramm-Leach-Bliley Act, financial services regulation, and federal taxation, can significantly harm the insurance industry and us.

REINSURANCE MAY NOT BE AVAILABLE OR ADEQUATE TO PROTECT US AGAINST LOSSES.

We use reinsurance to help manage our exposure to insurance risks. The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect our business volume and profitability. Although the reinsurer is liable to us to the extent of the ceded reinsurance, we remain liable as the direct insurer on all risks reinsured. As a result, ceded reinsurance arrangements do not eliminate our obligation to pay claims. We are subject to credit risk with respect to our ability to recover amounts due from reinsurers. Reinsurance may not be adequate to protect us against losses and may not be available to us in the future at commercially reasonable rates. In addition, the magnitude of losses in the reinsurance industry resulting from catastrophes may adversely affect the financial strength of certain reinsurers, which may result in our inability to collect or recover reinsurance. Reinsurers also may reserve their right to dispute coverage with respect to specific claims. With respect to catastrophic or other loss, if we experience difficulty collecting from reinsurers or obtaining additional reinsurance in the future, we will bear a greater portion of the total financial responsibility for such loss, which could materially reduce our profitability or harm our financial condition.

Many reinsurers experienced significant losses related to the terrorist acts of September 11, 2001, and future terrorist acts may have similar effects. As a result, we may incur significantly higher reinsurance costs and more restrictive terms and conditions, or may be unable to attain reinsurance for some types of commercial exposures.

TERRORIST ATTACKS, AND THE THREAT OF TERRORIST ATTACKS, AND ENSUING EVENTS COULD HAVE AN ADVERSE EFFECT ON US.

Terrorism, both within the United States and abroad, and military and other actions and heightened security measures in response to these types of threats, may cause loss of life, property damage, additional disruptions to commerce, and reduced economic activity. Actual terrorist attacks could cause losses from insurance claims related to the property and casualty insurance operations of the State Auto Group, as well as a decrease in our shareholders' equity, net income, and/or revenue. The Terrorism Risk Insurance Act of 2002, or Terrorism Act, requires the federal government and the insurance industry to share in insured losses up to $100 billion per year resulting from certain future terrorist attacks within the United States. Under the Terrorism Act, we must offer our commercial policyholders coverage against certified acts of terrorism. In addition to certified acts of terrorism, we intend, subject to the approval of the state regulators, to cover only such acts of terrorism that are not certified acts under the Terrorism Act and that do not arise out of nuclear, biological, or chemical agents.

In addition, some of the assets in our investment portfolio may be adversely affected by declines in the equity markets and economic activity caused by the continued threat of terrorism, ongoing military and other actions, and heightened security measures. We cannot predict at this time whether and the extent to which industry sectors in which we maintain investments may suffer losses as a result of potential decreased commercial and economic activity, how any such decrease might impact the ability of companies within the affected industry sectors to pay interest or principal on their securities, or how the value of any underlying collateral might be affected.

OUR INDUSTRY IS HIGHLY COMPETITIVE, WHICH COULD ADVERSELY AFFECT OUR SALES AND PROFITABILITY.

The property and casualty insurance business is highly competitive, and we compete with a large number of other insurers. Many of our competitors have well-established national reputations, and substantially greater financial, technical, and operating resources and market share than us. We may not be able to effectively compete, which could adversely affect our sales or profitability. We believe that competition in our lines of business is based on price, service, commission structure, product features, financial strength ratings, reputation, and name or brand recognition. Our competitors sell through various distribution channels, including independent agents, captive agents, and directly to the consumer. We compete not only for business and individual customers, employer, and other group customers but also for independent agents to market and sell our products. Some of our competitors offer a broader array of products, have more competitive pricing, or have higher claims paying ability ratings. In addition, other financial institutions are now able to offer services similar to our own as a result of the Gramm-Leach-Bliley Act, which was adopted in November 1999.

THE PROPERTY AND CASUALTY INSURANCE INDUSTRY IS HIGHLY CYCLICAL, WHICH MAY CAUSE FLUCTUATIONS IN OUR OPERATING RESULTS.

The property and casualty insurance industry, particularly commercial lines businesses, has been historically characterized by periods of intense price competition due to excess underwriting capacity, as well as periods of shortages of underwriting capacity that allow for attractive premiums. The periods of intense price competition may adversely affect our operating results, and the overall cyclicality of the industry may cause fluctuations in our operating results. In response to periods of intense price competition, our strategy with respect to our commercial lines business has been to adjust prices to allow for acceptable profit levels and to decline coverage in situations where pricing or risk would not result in acceptable returns. Accordingly, our commercial lines business tends to contract during periods of severe competition and price declines and expand when market pricing allows an acceptable return.

The personal lines businesses are characterized by an auto underwriting cycle of loss cost trends. Driving patterns, inflation in the cost of auto repairs and medical care, and increasing litigation of liability claims are some of the more important factors that affect loss cost trends. Inflation in the cost of building materials and labor costs and demand caused by weather-related catastrophic events affect personal lines homeowners loss cost trends. We and other personal lines insurers are generally unable to increase premiums unless permitted by changes in insurance laws and regulations, typically after the costs associated with the coverage have increased. Accordingly profit margins generally decline in a period of increasing loss costs.

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement that we entered into in connection with the private offering of the original notes. We will not receive any cash proceeds from the issuance of the exchange notes. The original notes that are surrendered in exchange for the exchange notes will be retired and cancelled and cannot be reissued. As a result, the issuance of the exchange notes will not result in any increase or decrease in our indebtedness.

We received net proceeds from the private offering of the original notes, after deducting initial purchaser discounts and our expenses, of approximately $98.3 million. To date, we have used these proceeds as follows: (1) $15.0 million was used to repay a term loan from a bank; (2) $15.0 million was contributed to Milbank, one of our insurance subsidiaries, and then used by Milbank to repay a surplus contribution note to Meridian Security, one of State Auto Mutual's insurance subsidiaries; and (3) $39.0 million was contributed to State Auto P&C and $15.0 million was contributed to State Auto National Insurance Company to support the growth of their insurance operations. The remaining proceeds are available for general corporate purposes.

CAPITALIZATION

The following table sets forth our unaudited historical capitalization as of September 30, 2003, and our unaudited capitalization on an as adjusted basis as of such date after giving pro forma effect to the issuance of the notes and the application of the net proceeds therefrom. You should read this table in conjunction with the consolidated financial statements and the notes thereto contained in our quarterly report on Form 10-Q for the quarter ended September 30, 2003, which is incorporated by reference into this prospectus, and other financial data included elsewhere in this prospectus.

	AS OF SEPTEMBER 30, 2003	
	ACTUAL	AS ADJUSTED
	(IN MILLIONS)	
Debt:		
Junior subordinated debt securities	$ 15.5	$ 15.5
Senior notes offered hereby	--	100.0
Notes payable, bank	15.0	--
Notes payable, affiliates	60.5	45.5
Total debt	91.0	161.0
Stockholders' equity:		
Class A preferred stock, no par value; none issued	--	--
Class B preferred stock, no par value; none issued	--	--
Common stock, no par value	109.8	109.8
Less treasury shares	(55.5)	(55.5)
Additional paid-in capital	53.8	53.8
Accumulated other comprehensive income	48.0	48.0
Retained earnings	359.8	359.8
Total stockholders' equity	515.9	515.9
Total capitalization	$ 606.9	$ 676.9

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

In the following table, we have provided the selected historical consolidated financial data for each of the five years in the period ended December 31, 2002, which are derived from our audited consolidated financial statements. The following table also sets forth the selected consolidated financial data for the nine-month periods ended September 30, 2002 and 2003, which are derived from our unaudited consolidated financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, that we consider necessary for a fair presentation of the financial position and the results of operations for these periods. The operating results for the nine months ended September, 2003, are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2003. You should read the consolidated financial data below in conjunction with the consolidated financial statements and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference into this prospectus from out our annual report on Form 10-K for the year ended December 31, 2002, and our quarterly report Form 10-Q for the quarter ended September 30, 2003.

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,				
	1998	1999	2000	2001	
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENTS OF INCOME DATA:					
Earned premiums	$ 356,210	$ 392,058	$ 397,967	$ 555,207	$
Net investment income	32,506	34,262	38,915	47,375	
Net realized gains on investments	2,925	2,555	5,255	1,962	
Other income	10,418	11,996	20,637	18,728	
Total revenues	402,059	440,871	462,774	623,272	
Losses and loss expenses	242,294	264,628	272,167	427,074	
Acquisition and operating expenses	104,224	111,772	119,569	167,207	
Interest expense	--	955	2,730	2,275	
Other expense, net	5,936	6,531	6,864	8,740	
Total expenses	352,454	383,886	401,330	605,296	
Income before federal income taxes	49,605	56,985	61,444	17,976	
Income taxes	12,108	14,169	13,730	(2,639)	
Net income	$ 37,497	$ 42,816	$ 47,714	$ 20,615	$
EARNINGS PER COMMON SHARE:					
Basic	$ 0.89	$ 1.05	$ 1.24	$ 0.53	$
Diluted	$ 0.87	$ 1.03	$ 1.21	$ 0.52	$
Dividends per common share	$ 0.10	$ 0.11	$ 0.12	$ 0.13	$
GAAP RATIOS:					
Loss and LAE ratio (1)	68.0	67.5	68.4	76.9	
Expense ratio (2)	29.3	28.5	30.0	30.1	
Combined ratio	97.3	96.0	98.4	107.0	
BALANCE SHEET DATA (AT PERIOD END):					
Total investments	$ 579,966	$ 627,305	$ 750,870	$ 1,138,656	$ 1,
Total assets	717,520	759,945	898,106	1,367,496	1,
Losses and loss expense payable	217,450	232,489	244,583	523,860	

Total debt	--	45,500	45,500	45,500
Total stockholders' equity	340,824	317,687	386,059	400,193
Ratio of earnings to fixed charges (3)	43.8x	24.3x	16.5x	5.5x

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(1) Ratio of losses and loss adjustment expenses to earned premiums.

(2) Ratio of acquisition and operating expenses to earned premiums.

(3) For purposes of computing the ratio of earnings to fixed charges, earnings represent income from continuing operations before income taxes and cumulative effect of change in accounting principles, plus fixed charges net of capitalized interest. Fixed charges include interest expense (including interest on deposit contracts), amortization of deferred debt expense and the proportion deemed representative of the interest factor of rent expense.

BUSINESS

You should read the information in the section entitled "Item 1. Business" in our annual report on Form 10-K for the year ended December 31, 2002, which is incorporated by reference into this prospectus, for more detailed information.

GENERAL

State Auto Financial Corporation is a regional insurance holding company headquartered in Columbus, Ohio. Through our six insurance subsidiaries, we provide personal and commercial insurance for the standard insurance market and automobile insurance for the nonstandard insurance market. Our principal lines of business include standard personal and commercial automobile, nonstandard personal automobile, homeowners, commercial multi-peril, fire, general liability, and workers' compensation insurance. We market our insurance products through more than 22,000 independent agents associated with more than 3,400 agencies in 26 states. Our products are marketed primarily in the central and eastern United States, excluding New York, New Jersey, and the New England states. We are affiliated with State Auto Mutual Insurance Company, which owns approximately 67% of our outstanding common shares.

Our insurance subsidiaries consist of State Auto Property and Casualty Insurance Company, Milbank Insurance Company, Farmers Casualty Insurance Company, State Auto Insurance Company of Ohio, State Auto National Insurance Company, and Mid-Plains Insurance Company. We also have three non-insurance subsidiaries that support our insurance operations. An insurance pooling arrangement, which we refer to as the "State Auto Pool," exists between various insurers in the State Auto Group by which premiums, losses, and underwriting expenses are shared among the pool participants. We receive 80% in the aggregate of this underwriting pool, while State Auto Mutual and certain of its subsidiaries receive 20% in the aggregate.

With a commitment to sound underwriting practices, responsible cost-based pricing and conservative investments, we have maintained a healthy financial record since we began operations in 1991. Our average annual statutory combined ratio of 100.5% and return on GAAP equity of 11.8% compare favorably with the property and casualty insurance industry average annual statutory combined ratio of 108.4% and return on GAAP equity of 6.8% computed from 1991 through 2002. Through September 30, 2003, our GAAP revenue, assets, and equity have grown at a compound annual growth rate of 19.9%, 19.5%, and 15.2%, respectively, since we began operations in 1991. Combined with our focus on providing outstanding customer service to policyholders and agents, we believe we have earned the reputation as one of the strongest and best managed regional insurance groups in the industry. The State Auto Pool consistently has received A.M. Best Company's A+ (Superior) rating.

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HISTORY AND CORPORATE STRUCTURE

State Auto Mutual was founded in 1921. STFC was formed in 1990 as a wholly owned subsidiary of State Auto Mutual and began operations in 1991 following the completion of its initial public offering. The following chart shows our current corporate structure, along with that of State Auto Mutual:

[FLOW CHART]

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COMPETITIVE ADVANTAGES

We believe our success has been built, in part, on the following strengths:

ADHERENCE TO DISCIPLINED UNDERWRITING PRINCIPLES. We adhere to disciplined and consistent underwriting principles. These principles include insistence on selecting and retaining business based on the merits of each account and a dedication to cost-based pricing, where each line of business is priced at a rate anticipated to generate a profit. No line of business, or classification within major lines, subsidizes another line or classification. We believe our adherence to these disciplined underwriting principles is the primary reason that our company has outperformed the property and casualty insurance industry on a statutory combined ratio basis in every year since 1991.

FAIR AND EFFICIENT CLAIMS SERVICE. We strive to provide prompt and fair claims service. We maintain a claims contact center 24 hours a day, seven days a week, for receipt of claim calls. Claims may also be reported to the policyholder's independent agent or via the Internet. We make a pledge to our policyholders to make contact with them within two hours of reporting a claim to us. Once an automobile repair is made at one of our approved repair facilities, we guarantee that repair for as long as the automobile is owned by our policyholder.

STRONG INDEPENDENT INSURANCE AGENT NETWORK. We offer our products through more than 22,000 independent insurance agents associated with more than 3,400 agencies in 26 states. We believe the success of our independent insurance agent network, which is our only distribution channel, grows out of our commitment to promote and foster close working relationships with our agents. We seek relationships with agencies where we will be one of their top three insurers, measured on the basis of direct premiums written, for the type of business we desire. Our agents' compensation package includes competitive commission rates and other sales inducements designed to maintain and enhance relationships with existing independent agents as well as to attract new independent agents. We provide our agents with a co-operative advertising program, sales training programs, an agent's stock purchase program, profit-sharing and travel incentives, and agency recognition. We continually monitor our agencies for compatibility with us, taking into account factors such as loss ratio, premium volume, business profiles, and relationship history. This allows us to be proactive in helping the agents to enhance profitability and, thus, maintain the advantages of the State Auto affiliation. Our senior management regularly makes itself available to the agency force to reinforce this partnership commitment. We believe each of these elements creates a relationship that has resulted in our independent insurance agents placing quality insurance business with us.

RISK MITIGATION STRATEGIES. We deploy specific strategies designed to mitigate our exposure to certain risks. We continually seek to diversify our business on a geographic basis. The number of states we operate in has increased from 17 states in 1991 to 26 states in 2003. The concentration of gross written premiums for our property and casualty operations in our largest state, Ohio, has decreased from 28% for the year ended December 31, 1991, to 18.5% for the year ended December 31, 2002. We avoid writing insurance in states that we believe present difficult legislative, judicial, and/or regulatory environments for the insurance industry, such as California, Massachusetts, New Jersey, New York, Louisiana, and Texas. Our underwriting guidelines are designed to limit exposures for high risk insurance matters such as asbestos, workers' compensation, and environmental claims. Our loss and loss expenses liability at December 31, 2002, relating to asbestos, environmental remediation, product liability, mold, and other highly uncertain exposures was approximately 1% of our net loss and loss expenses liability. Our catastrophe management strategies are designed to mitigate our exposure to earthquakes and hurricanes. We believe these efforts have played a significant role in our underwriting profitability and have been very effective in controlling our catastrophe reinsurance costs.

CONSERVATIVE INVESTMENT STRATEGY. We have a conservative investment strategy that emphasizes the quality of our fixed income portfolio, which comprised 90.8% of our total portfolio at September 30, 2003, and includes only investment grade securities. We have a disciplined approach to the equity portion of our portfolio, which comprised 6.7% of our total portfolio at September 30, 2003, that emphasizes large capitalization, dividend-paying companies. We select equity investments based on a stock's potential for appreciation as well as ability to continue paying dividends.

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EXPERIENCED SENIOR MANAGEMENT TEAM. Our senior management team has extensive experience with our company and in the insurance industry. This management team has led us through various industry cycles and has managed our growth through both strategic acquisitions and internal expansion, including the 2001 acquisition of the Meridian insurance companies. This experience has proved invaluable in the integration of Meridian's operations into ours and has guided us in the migration of Meridian policies into our policies, pricing, underwriting, and claims philosophies. Twelve of our 15-person senior management team have over 11 years with the State Auto Group (seven have over 20 years), led by Robert H. Moone, our Chairman, President, and Chief Executive Officer, who has over 33 years with the State Auto Group.

PROPERTY AND CASUALTY OPERATIONS

Through independent agents, our property and casualty businesses provide customers with standard personal and commercial automobile, nonstandard personal automobile, homeowners, commercial multi-peril, fire, general liability, and workers' compensation insurance. Our insurance operations generated 92.7% of our consolidated revenues in 2002, with $896.6 million of net earned premiums. For the nine-month period ended September 30, 2003, our insurance operations generated 92.1% of our consolidated revenues, with net earned premiums of $720.1 million.

We currently operate in three insurance segments. We have a standard insurance segment, a non-standard insurance segment, and the Meridian standard insurance segment. Our standard insurance segment includes personal and commercial lines of business. Our non-standard insurance segment includes nonstandard automobile insurance. Our Meridian standard insurance segment includes the standard insurance business of the former Meridian Mutual Insurance Company, or Meridian Mutual.

Our standard insurance segment generated $673.1 million, or 75.1%, of our net earned premiums in 2002, and $580.3 million, or 80.6%, for the nine-month period ended September 30, 2003. Our nonstandard insurance segment generated $73.6 million, or 8.2%, of our net earned premiums in 2002, and $62.7 million, or 8.7%, for the nine-month period ended September 30, 2003. Our Meridian standard insurance segment generated $149.9 million, or 16.7%, of our net earned premiums in 2002, and $77.1 million, or 10.7%, for the nine-month period ended September 30, 2003.

We sell property and casualty insurance products in 26 states. The following table shows gross written premiums for our property and casualty operations by state for the year ended December 31, 2002.

STATE	AMOUNT	% OF TOTAL
	(DOLLARS IN THOUSANDS)	
Ohio..........................	$ 177,231	18.5%
Kentucky......................	118,154	12.3
Tennessee.....................	65,124	6.8
Indiana.......................	63,438	6.6
Minnesota.....................	56,026	5.8
Pennsylvania..................	52,215	5.4
South Carolina................	41,171	4.3
Maryland......................	34,090	3.6
North Carolina................	34,037	3.6
Wisconsin.....................	30,986	3.2
Total ten largest states....	672,472	70.1
All others....................	287,379	29.9
Total.......................	$ 959,851	100%

The following table presents our earned premiums for each product line by segment as well as a percentage of total earned premiums:

	FOR THE YEARS ENDED DECEMBER 31,				
	2001	%	2002	%	200
					(DOLLARS IN MILLI
Automobile -- personal:					
Standard insurance	$ 191.6	34.5%	$ 281.4	31.4%	$ 20
Nonstandard insurance	41.7	7.5	73.6	8.2	5

Meridian standard insurance	26.2	4.7	56.9	6.4	4
Automobile -- commercial:					
Standard insurance	45.8	8.2	74.7	8.3	5
Meridian standard insurance	10.2	1.9	22.3	2.5	1
Homeowners and farmowners:					
Standard insurance	77.1	13.9	112.4	12.5	8
Meridian standard insurance	9.5	1.7	21.2	2.4	1
Commercial multi-peril:					
Standard insurance	31.2	5.6	50.3	5.6	3
Meridian standard insurance	11.4	2.0	26.0	2.9	1
Workers' compensation:					
Standard insurance	15.4	2.8	23.2	2.6	1
Meridian standard insurance	8.7	1.6	16.1	1.8	1
Fire and allied lines:					
Standard insurance	36.0	6.5	57.3	6.4	4
Meridian standard insurance	0.5	0.1	1.1	0.1	
Other liability and products liability:					
Standard insurance	21.9	3.9	49.2	5.5	3
Meridian standard insurance	0.5	0.1	1.8	0.2	
Other personal lines and other commercial lines:					
Standard insurance	25.3	4.6	24.6	2.7	1
Meridian standard insurance	2.2	0.4	4.5	0.5	
Total earned premiums	$ 555.2	100.0%	$ 896.6	100.0%	$ 66

The following table presents our GAAP loss and LAE ratio for each product line by segment:

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2002	2002	2003
Automobile -- personal:				
Standard insurance	62.5	67.5	66.5	63.8
Nonstandard insurance	92.0	79.0	83.4	76.8
Meridian standard insurance	122.5	75.1	76.0	70.7
Automobile -- commercial:				
Standard insurance	75.9	63.5	64.7	58.6
Meridian standard insurance	153.7	76.5	80.0	56.6
Homeowners and farmowners:				
Standard insurance	79.5	81.1	85.2	91.0
Meridian standard insurance	136.3	106.5	128.4	79.9
Commercial multi-peril:				
Standard insurance	74.4	80.8	83.5	70.5
Meridian standard insurance	171.6	107.5	104.3	120.7
Workers' compensation:				
Standard insurance	69.9	84.4	84.7	87.1
Meridian standard insurance	165.4	82.7	82.2	50.3
Fire and allied lines:				
Standard insurance	62.8	58.8	61.1	74.4
Meridian standard insurance	66.9	60.8	89.8	85.9
Other liability and products liability:				
Standard insurance	54.5	78.8	79.1	58.0
Meridian standard insurance	214.5	50.0	7.4	82.0
Other personal lines and other commercial lines:				
Standard insurance	40.7	30.0	30.9	24.7

Meridian standard insurance	27.1	65.4	33.5	49.1
Total GAAP loss and LAE ratio	76.9	72.9	74.3	69.9

STANDARD INSURANCE SEGMENT AND MERIDIAN STANDARD INSURANCE SEGMENT

Our Meridian standard insurance segment includes the standard personal and commercial business of the former Meridian Mutual, which was merged into State Auto Mutual in June 2001 and thus became part of the State Auto pool at that time. Our standard insurance segment and the Meridian standard insurance segment include the following personal and commercial insurance products:

AUTOMOBILE -- PERSONAL INSURANCE. This line provides coverage for liability to others for both bodily injury and property damage and for physical damage to an insured's own vehicle from collision and other hazards. In addition, first-party personal injury protection, frequently referred to as no-fault coverage, may be included as part of this insurance product if required by applicable state law.

In writing our personal automobile line, we use "insurance-scoring," which utilizes multiple variants to classify risks. Variants used may include age, past claim record, credit record, and other differentiating characteristics. The use of insurance-scoring, along with tighter underwriting standards, has resulted in more accurately matching rate to risk. Our multi-variant underwriting model segments our potential customers into risk groups, with four different pricing tiers. These pricing tiers provide more refined price points and allow us to make insurance available to a broader range of customers. Legislative or regulatory action could cause us to limit or adjust our use of credit-scoring within our multi-variant underwriting process. The use of credit-scoring has been restricted in some states, and is the subject of both legislative and regulatory review in several other states where our property and casualty operations have a concentration of business.

AUTOMOBILE -- COMMERCIAL INSURANCE. This line provides coverage for businesses against losses incurred from personal bodily injury, bodily injury to third parties, property damage to an insured's vehicle, property damage to other vehicles, and damage to other property resulting from the ownership, maintenance, or use of automobiles and trucks in a business.

HOMEOWNERS AND FARMOWNERS INSURANCE. This product line provides protection against losses to dwellings, equipment, and contents from a wide variety of hazards, as well as coverage for liability arising from ownership or occupancy. We write homeowners insurance for dwellings, condominiums, mobile homes, and rental property contents.

COMMERCIAL MULTI-PERIL INSURANCE. This line provides coverage for businesses against third-party liability from accidents occurring on their premises or arising out of their operations. This type of insurance also insures business property for damage such as that caused by fire, wind, hail, water, mold, theft, and vandalism, and protects businesses from financial loss due to business interruption.

WORKERS' COMPENSATION INSURANCE. This line provides coverage for the obligation of an employer under state law to provide its employees with specific benefits for work-related injuries, deaths, and diseases, regardless of fault. Typically the four types of benefits payable under workers' compensation policies are medical, disability, death, and disease benefits.

FIRE AND ALLIED LINES INSURANCE. These lines provide coverage for losses to an insured's property, including its contents, as a result of weather, fire, theft, or other causes. For our commercial lines, we provide coverage through a variety of business policies. With respect to our personal lines, we provide coverage primarily through homeowners insurance, although we write a variety of policies to cover losses pertaining to recreational vehicles and watercraft. Our insurance also may include policies covering injury to persons and inland marine policies.

OTHER LIABILITY AND PRODUCTS LIABILITY INSURANCE. Our other liability line provides coverage for both individuals and businesses protecting the insured against legal liability resulting from negligence, carelessness, or a failure to act causing property damage or personal injury to others. Products liability provides coverage protecting the manufacturer, distributor, seller, or lessor of a product against legal liability resulting from a defective condition causing personal injury, or damage, to any individual or entity associated with the use of the product.

OTHER PERSONAL LINES AND OTHER COMMERCIAL LINES INSURANCE. These lines of insurance provide coverage for both individuals and businesses, including boats and inland marine coverages, fidelity and surety coverage, coverage for property taken or destroyed by breaking and entering the insurer's premise, burglary or theft, forgery or counterfeiting, and fraud and coverage for the failure of boilers, machinery, and electrical equipment.

NONSTANDARD INSURANCE SEGMENT

Our nonstandard insurance segment includes our nonstandard automobile insurance. We write personal automobile insurance for nonstandard risks through State Auto National and Mid-Plains. State Auto National is licensed in 24 states and active in 19 of those states. Mid-Plains operates in Kansas and Iowa.

PROPERTY AND CASUALTY INSURANCE POOLING ARRANGEMENT

Certain of our insurance subsidiaries are parties to an intercompany pooling arrangement, as described in our corporate structure chart on page 22. The pooling arrangement covers all the property and casualty insurance written by the participating parties, except voluntary assumed reinsurance written by State Auto Mutual and catastrophe inter-company reinsurance written by State Auto P&C. Under the terms of the pooling arrangement, each of our pooled subsidiaries, as well as State Auto Wisconsin and State Auto Florida, cede premiums, losses, and expenses on all of their business to State Auto Mutual. In turn, State A