

State Auto Financial CORP  
Form 11-K  
March 23, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-19289

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

State Auto Insurance Companies

Amended and Restated

Directors Deferred Compensation Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

State Auto Financial Corporation

518 East Broad Street

Columbus, Ohio 43215-3976

**REQUIRED INFORMATION**

See the accompanying financial statements for the State Auto Insurance Companies Amended and Restated Directors Deferred Compensation Plan as of December 31, 2016 and 2015, and for the years ended December 31, 2016, 2015 and 2014.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

State Auto Insurance Companies Amended and Restated  
Directors Deferred Compensation Plan

By: /s/ Steven E. English  
Steven E. English  
Senior Vice President, Chief Financial Officer

By: /s/ Melissa A. Centers  
Melissa A. Centers  
Senior Vice President, Secretary and General Counsel

Date: March 23, 2017

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Report of Independent Registered Public Accounting Firm

Board of Directors and Benefits Committee  
State Auto Financial Corporation  
Columbus, Ohio

We have audited the accompanying statements of net assets available for benefits of the State Auto Insurance Companies Amended and Restated Directors Deferred Compensation Plan (the Plan), as of December 31, 2016 and 2015, and the related statements of changes in net assets available for benefits for the years ended December 31, 2016, 2015 and 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016 and 2015, and the changes in net assets available for benefits for the years ended December 31, 2016, 2015 and 2014 in conformity with accounting principles generally accepted in the United States of America.

/s/ Clark, Schaefer, Hackett & Co.

Columbus, Ohio  
March 23, 2017

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Statements of Net Assets Available for Benefits

|  | December 31 |             |
|--|-------------|-------------|
|  | 2016        | 2015        |
| Assets   |             |             |
| Investments, at fair value:  |             |             |
| Shares of registered investment companies (cost \$7,645,218 and \$7,371,771, respectively) | \$7,829,648 | \$7,259,761 |
| Interest-bearing cash  | 164,529     | 9,442       |
| Affiliated stock (cost \$359,611 and \$351,113, respectively)                              | 575,464     | 434,508     |
| Total investments  | 8,569,641   | 7,703,711   |
| Net assets available for benefits  | \$8,569,641 | \$7,703,711 |
| See accompanying notes.  |             |             |

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

## Statements of Changes in Net Assets Available for Benefits

|                                    | Year Ended December 31 |             |             |
|------------------------------------|------------------------|-------------|-------------|
|                                    | 2016                   | 2015        | 2014        |
| Investment income:                 |                        |             |             |
| Dividends                          | \$ 184,228             | \$ 323,064  | \$ 354,302  |
| Unrealized gains (losses)          | 428,898                | (291,083 )  | (501,032 )  |
| Realized (losses) gains            | (49,816 )              | (1,607 )    | 493,505     |
| Total investment income            | \$563,310              | \$30,374    | \$346,775   |
| Contributions:                     |                        |             |             |
| Participant                        | \$397,770              | \$364,305   | \$403,375   |
| Company                            | 282,750                | 282,750     | 350,000     |
| Total contributions                | \$680,520              | \$647,055   | \$753,375   |
| Deductions:                        |                        |             |             |
| Benefit payments                   | \$377,900              | \$325,189   | \$212,190   |
| Total deductions                   | \$377,900              | \$325,189   | \$212,190   |
| Net increase                       | \$865,930              | \$352,240   | \$887,960   |
| Net assets available for benefits: |                        |             |             |
| Beginning of year                  | \$7,703,711            | \$7,351,471 | \$6,463,511 |
| End of year                        | \$8,569,641            | \$7,703,711 | \$7,351,471 |

See accompanying notes.

STATE AUTO INSURANCE COMPANIES  
AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements

December 31, 2016

1. Description of the Plan

Organization

The State Auto Companies Amended and Restated Directors Deferred Compensation Plan (the "Plan") became effective on August 1, 1995, was amended and restated in its entirety effective as of March 1, 2001, and was further amended effective as of December 1, 2005 (First Amendment), January 1, 2009 (Second and Third Amendments), November 1, 2010 (Fourth Amendment), and January 1, 2012 (Fifth Amendment). The Plan provides members of the Boards of Directors of State Automobile Mutual Insurance Company ("State Auto Mutual") and its affiliates (collectively, the "Company" or the "State Auto Companies") a retirement savings plan in which to defer the payment of director and committee meeting fees.

The benefits provided to participants under the Plan are paid from the Company's general assets. The Plan is intended to be an unfunded Plan for purposes of the Employee Retirement Income Security Act of 1974 ("ERISA") and is, therefore, exempt from certain ERISA requirements. Each participant's right to benefits under the Plan are equivalent to the rights of any unsecured creditor of the Company.

Participants must enroll within 30 days after becoming eligible to participate. For subsequent years, participants must enroll prior to the beginning of each new plan year.

Contributions

Participants are permitted to defer on a pre-tax basis (a) from 10% to 100% of his or her director fees in the calendar year and/or (b) 0% or 100% of committee meeting fees in the calendar year. In addition, for each of the members of the Board of Directors of State Auto Mutual, State Auto Mutual makes an annual cash contribution in the amount as determined at State Auto Mutual's discretion. For the years ended December 31, 2016, 2015, and 2014, the discretionary contribution amounted to \$56,550, \$56,550 and \$50,000, respectively.

Vesting

Each participant is fully vested in his or her contributions and any State Auto Mutual discretionary contributions.

Participant Accounts

Investment funds available under the Plan are merely devices used to calculate gains and losses on the amounts deferred by Plan participants. No participant has any rights or interests in any particular funds, securities or property of the Company or the trust described in Note 6, or in any investment vehicle in which deferrals are deemed to be invested, by virtue of any investment election. Each deferral account, however, is credited or charged in accordance with the Plan with gains and losses as if the participant in fact had made a corresponding actual investment. The Directors of State Auto Financial Corporation ("STFC") have the option to purchase STFC common stock ("Affiliated stock").

Payment of Benefits

The balance of each deferral account will be distributed upon retirement or termination of a participant from the Board of Directors of the Company. Payments will be made in cash and paid in 60 or 120 monthly installments, except for amounts deferred and fully vested prior to December 31, 2004, which can be distributed in alternative payment options as elected by the participant. The Company must receive at least 30 days written notice of the participant's intention to retire and receive retirement benefits.

2. Significant Accounting Policies

Basis of Presentation

The accounting records of the Plan are maintained in conformity with U.S. generally accepted accounting principles ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.





STATE AUTO INSURANCE COMPANIES  
AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN  
Notes to the Financial Statements (continued)  
December 31, 2016

Valuation of Investments and Related Investment Income

The investments of the Plan consist of shares of registered investment companies, interest-bearing cash, and Affiliated stock. The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 3 for discussion on fair value measurements.

Investment income, including appreciation and depreciation in fair value of investments, is allocated to participant accounts daily based upon the ratio of each participant's account to the total fund balance. Dividend income is recorded on the ex-dividend date. Realized gains and losses on the sale of securities are determined based on the average cost method.

Benefit Payments

Benefit payments are recognized when paid.

Administrative Expenses

Administrative expenses are paid by the Company.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Plan's statements of net assets available for benefits.

Adoption of Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-12, "Plan Accounting: Defined Contribution Pension Plans (Topic 962): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, and (Part III) Measurement Date - Practical Expedient". ASU 2015-12 simplifies disclosures and reporting by employee benefit plans. ASU 2015-12 is effective for fiscal years beginning after December 15, 2015, with earlier adoption permitted. The Plan adopted Part II of this guidance, applied retrospectively to all periods presented. This change has no impact on net assets available for benefits.

3. Fair Value Measurements

Below is the fair value hierarchy that categorizes into three levels the inputs to valuation techniques that are used to measure fair value:

Level 1 includes observable inputs which reflect quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 includes observable inputs for assets or liabilities other than quoted prices included in Level 1, and it includes valuation techniques which use prices for similar assets and liabilities.

Level 3 includes unobservable inputs which reflect the reporting entity's estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The following is a description of the valuation methods used for assets measured at fair value:

Registered investment companies: Registered investment companies are public investment vehicles valued using net asset value ("NAV") provided by the administrator of the mutual fund. The NAV is an unadjusted quoted price on an active market and classified within Level 1 of the fair value hierarchy.

Interest-bearing cash: The carrying value approximates fair value and is classified within Level 1 of the fair value hierarchy.

Affiliated stock: The fair value is based on the unadjusted closing price reported on the active market on which the security is traded and is classified within Level 1 of the fair value hierarchy.

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN  
 Notes to the Financial Statements (continued)  
 December 31, 2016

The following tables reflect the Plan's investments within the fair value hierarchy at December 31, 2016 and 2015:

| 2016                            | Total       | Quoted<br>prices in<br>active<br>markets<br>for<br>identical<br>assets<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
|---------------------------------|-------------|---|---|--|
| Registered investment companies | \$7,829,648 | \$7,829,648   | —   | —  |
| Interest-bearing cash           | 164,529     | 164,529   | —   | —  |
| Affiliated stock                | 575,464     | 575,464   | —   | —  |
| Total investments at fair value | \$8,569,641 | \$8,569,641   | —   | —  |

| 2015                            | Total       | Quoted<br>prices in<br>active<br>markets<br>for<br>identical<br>assets<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
|---------------------------------|-------------|---|---|--|
| Registered investment companies | \$7,259,761 | \$7,259,761   | —   | —  |
| Interest-bearing cash           | 9,442       | 9,442   | —   | —  |
| Affiliated stock                | 434,508     | 434,508   | —   | —  |
| Total investments at fair value | \$7,703,711 | \$7,703,711   | —   | —  |

#### 4. Participant Accounts

Participant balances for all funds are maintained in shares. At December 31, 2016 and 2015, there were 18 participants, respectively, in the Plan, with contributions in one or more of the following funds. The total number of participants in the Plan is less than the sum of the number of participants set forth in the following table because each participant may make contributions to more than one fund.

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2016

The total number of shares and share values as of December 31, 2016 and 2015, by fund, were as follows:  
 2016

| Investment Options:                   | Total<br>Number<br>of<br>Shares | Net<br>Asset<br>Share<br>Value | Number of<br>Participants |
|---------------------------------------|---------------------------------|--------------------------------|---------------------------|
| Registered investment companies:      |                                 |                                |                           |
| ABF Small Cap Val Inst                | 465                             | \$27.63                        | 1                         |
| FID 500 Index Inst                    | 6,510                           | 78.35                          | 5                         |
| FID Contrafund K                      | 10,265                          | 98.38                          | 6                         |
| FID EXT Mkt IDX PR                    | 3,003                           | 55.54                          | 7                         |
| FID Total Bond                        | 87,961                          | 10.52                          | 10                        |
| Meridian Growth Inst                  | 10,169                          | 35.47                          | 2                         |
| MFS Value R6                          | 5,802                           | 36.05                          | 1                         |
| MFS Inst Intl Equity                  | 59,460                          | 20.26                          | 11                        |
| TRP Blue Chip Growth                  | 8,785                           | 72.61                          | 3                         |
| VANG Inst TR 2010                     | 51,649                          | 20.21                          | 4                         |
| VANG Inst TR 2015                     | 2,941                           | 20.15                          | 1                         |
| VANG Inst TR 2020                     | 19,433                          | 20.14                          | 1                         |
| VANG Inst TR 2025                     | 58,075                          | 20.11                          | 3                         |
| VANG Inst TR Income                   | 6,427                           | 20.23                          | 1                         |
| Total registered investment companies | 330,945                         |                                |                           |
| Interest-bearing cash:                |                                 |                                |                           |
| FID Govt MMRK PRM                     | 164,529                         | 1.00                           | 2                         |
| Total interest-bearing cash           | 164,529                         |                                |                           |
| Affiliated stock:                     |                                 |                                |                           |
| State Auto Financial Corporation      | 21,465                          | 26.81                          | 1                         |
| Total affiliated stock                | 21,465                          |                                |                           |
| Total investments                     | 516,939                         |                                |                           |

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2016

2015

| Investment Options:                   | Total<br>Number<br>of<br>Shares | Net<br>Asset<br>Share<br>Value | Number of<br>Participants |
|---------------------------------------|---------------------------------|--------------------------------|---------------------------|
| Registered investment companies:      |                                 |                                |                           |
| ABF Small Cap Val Inst                | 524                             | \$22.46                        | 1                         |
| Baron Growth Inst                     | 7,801                           | 64.31                          | 3                         |
| FID Contrafund K                      | 9,198                           | 98.88                          | 7                         |
| MFS Value R5                          | 4,643                           | 32.79                          | 1                         |
| MFS Inst Intl Equity                  | 54,687                          | 20.56                          | 11                        |
| FID Total Bond                        | 100,213                         | 10.26                          | 10                        |
| Spartan 500 Index Inst                | 3,584                           | 71.81                          | 4                         |
| Spartan EXT Mkt IDX ADV               | 3,624                           | 50.20                          | 7                         |
| TRP Blue Chip Growth                  | 8,502                           | 72.38                          | 3                         |
| VANG Target RET 2010                  | 40,118                          | 24.88                          | 4                         |
| VANG Target RET 2015                  | 4,056                           | 14.23                          | 1                         |
| VANG Target RET 2020                  | 11,482                          | 27.15                          | 1                         |
| VANG Target RET 2025                  | 61,444                          | 15.62                          | 3                         |
| VANG Target RET INC                   | 12,048                          | 12.45                          | 1                         |
| Total registered investment companies | 321,924                         |                                |                           |
| Interest-bearing cash:                |                                 |                                |                           |
| FID Govt MMRK PRM                     | 9,442                           | 1.00                           | 1                         |
| Total interest-bearing cash           | 9,442                           |                                |                           |
| Affiliated stock:                     |                                 |                                |                           |
| State Auto Financial Corporation      | 21,103                          | 20.59                          | 1                         |
| Total affiliated stock                | 21,103                          |                                |                           |
| Total investments                     | 352,469                         |                                |                           |

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STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2016

## 5. Investments

The Plan's investments and related changes at December 31, 2016, 2015 and 2014 and for the years then ended were as follows:

| 2016                                  | Number<br>of<br>Shares | Fair Value  | Dividends | Realized<br>Gain<br>(Loss) | Unrealized<br>Gain<br>(Loss) | Contributions | Benefit<br>Payments |
|---------------------------------------|------------------------|-------------|-----------|----------------------------|------------------------------|---------------|---------------------|
| Registered investment companies:      |                        |             |           |                            |                              |               |                     |
| ABF Small Cap Val Inst                | 465                    | \$12,851    | \$380     | \$168                      | \$2,275                      | \$ —          | \$(1,751 )          |
| Baron Growth Inst                     | —                      | —           | —         | 22,208                     | (3,053 )                     | 11,250        | (714 )              |
| FID 500 Index Inst                    | 6,510                  | 510,047     | 9,315     | 163                        | 26,229                       | 39,650        | (2,694 )            |
| FID Contrafund K                      | 10,265                 | 1,009,845   | 37,883    | 2,587                      | (5,382 )                     | 142,900       | (18,585 )           |
| FID Ext Mkt IDX PR                    | 3,003                  | 166,795     | 8,144     | (2,795 )                   | 19,159                       | —             | (39,653 )           |
| FID Total Bond                        | 87,961                 | 925,352     | 31,817    | (4,047 )                   | 31,043                       | 30,450        | (192,095 )          |
| Meridian Growth Inst                  | 10,169                 | 360,693     | 2,033     | 8,458                      | 24,910                       | 11,250        | (914 )              |
| MFS Inst Intl Equity                  | 59,460                 | 1,204,650   | 21,077    | (4,175 )                   | (12,068 )                    | 102,350       | (26,893 )           |
| MFS Value R6                          | 5,802                  | 209,153     | 7,688     | 47                         | 17,280                       | 31,900        | —                   |
| TRP Blue Chip Growth                  | 8,785                  | 637,866     | 4,276     | 91                         | 2,436                        | 15,750        | (55 )               |
| VANG Inst TR 2010                     | 51,649                 | 1,043,835   | 18,592    | 320                        | (9,601 )                     | —             | (33,182 )           |
| VANG Inst TR 2015                     | 2,941                  | 59,260      | 1,129     | 940                        | 175                          | —             | (2,027 )            |
| VANG Inst TR 2020                     | 19,433                 | 391,378     | 7,637     | —                          | 4,270                        | 13,268        | —                   |
| VANG Inst TR 2025                     | 58,075                 | 1,167,896   | 22,793    | —                          | 22,197                       | 21,518        | —                   |
| VANG Inst TR Income                   | 6,427                  | 130,027     | 1,570     | 85                         | (574 )                       | —             | (13,990 )           |
| VANG Target RET 2010                  | —                      | —           | —         | (29,680 )                  | 74,230                       | 56,550        | (31,535 )           |
| VANG Target RET 2015                  | —                      | —           | —         | (755 )                     | 5,255                        | 56,550        | —                   |
| VANG Target RET 2020                  | —                      | —           | —         | (4,970 )                   | 17,924                       | 41,542        | (29 )               |
| VANG Target RET 2025                  | —                      | —           | —         | (37,890 )                  | 73,962                       | 105,592       | (26 )               |
| VANG Target RET INC                   | —                      | —           | 1,174     | (571 )                     | 5,773                        | —             | (13,442 )           |
| Total registered investment companies | 330,945                | 7,829,648   | 175,508   | (49,816 )                  | 296,440                      | 680,520       | (377,585 )          |
| Interest-bearing cash:                |                        |             |           |                            |                              |               |                     |
| FID Govt MMRK PRM                     | 164,529                | 164,529     | 222       | —                          | —                            | —             | (315 )              |
| Total interest-bearing cash           | 164,529                | 164,529     | 222       | —                          | —                            | —             | (315 )              |
| Affiliated stock:                     |                        |             |           |                            |                              |               |                     |
| State Auto Financial Corporation      | 21,465                 | 575,464     | 8,498     | —                          | 132,458                      | —             | —                   |
| Total affiliated stock                | 21,465                 | 575,464     | 8,498     | —                          | 132,458                      | —             | —                   |
| Total assets held for investment      | 516,939                | \$8,569,641 | \$184,228 | \$(49,816)                 | \$428,898                    | \$680,520     | \$(377,900)         |

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2016

| 2015                                  | Number<br>of<br>Shares | Fair Value  | Dividends | Realized<br>Gain<br>(Loss) | Unrealized<br>Gain<br>(Loss) | Contributions | Benefit<br>Payments |
|---------------------------------------|------------------------|-------------|-----------|----------------------------|------------------------------|---------------|---------------------|
| Registered investment companies:      |                        |             |           |                            |                              |               |                     |
| ABF Small Cap Val Inst                | 524                    | \$11,779    | \$668     | \$236                      | \$(1,528)                    | \$ —          | \$(1,729 )          |
| Baron Growth Inst                     | 7,801                  | 501,655     | 43,195    | 407                        | (64,899)                     | 16,875        | (1,746 )            |
| FID Contrafund K                      | 9,198                  | 909,505     | 46,572    | 4,001                      | 2,553                        | 27,630        | (18,461 )           |
| FID Total Bond                        | 100,213                | 1,028,182   | 38,252    | (2,794)                    | (55,186)                     | 49,222        | (159,363 )          |
| MFS Value R5                          | 4,643                  | 152,238     | 8,819     | 148                        | (9,809)                      | 21,198        | —                   |
| MFS Inst Intl Equity                  | 54,687                 | 1,124,359   | 18,901    | 379                        | (22,366)                     | 82,161        | (20,618 )           |
| PIM Total RT Inst                     | —                      | —           | 506       | (13,178)                   | 33,448                       | —             | —                   |
| Spartan 500 Index Inst                | 3,584                  | 257,384     | 6,909     | 179                        | (4,026)                      | 27,630        | (2,646 )            |
| Spartan EXT Mkt IDX ADV               | 3,624                  | 181,940     | 11,458    | 92                         | (17,072)                     | —             | (30,487 )           |
| TRP Blue Chip Growth                  | 8,502                  | 615,367     | 19,423    | 366                        | 22,850                       | 20,625        | —                   |
| VANG Target RET 2010                  | 40,118                 | 998,142     | 52,934    | 889                        | (55,728)                     | 65,925        | (63,270 )           |
| VANG Target RET 2015                  | 4,056                  | 57,720      | 3,778     | 366                        | (4,387)                      | 84,675        | —                   |
| VANG Target RET 2020                  | 11,482                 | 311,737     | 12,418    | 4,647                      | (11,356)                     | 97,122        | —                   |
| VANG Target RET 2025                  | 61,444                 | 959,751     | 45,558    | 2,591                      | (63,549)                     | 153,992       | —                   |
| VANG Target RET INC                   | 12,048                 | 150,002     | 5,325     | 64                         | (5,365)                      | —             | (26,869 )           |
| Total registered investment companies | 321,924                | 7,259,761   | 314,716   | (1,607)                    | (256,420)                    | 647,055       | (325,189 )          |
| Interest-bearing cash:                |                        |             |           |                            |                              |               |                     |
| FID Govt MMRK PRM                     | 9,442                  | 9,442       | —         | —                          | —                            | —             | —                   |
| Total interest-bearing cash           | 9,442                  | 9,442       | —         | —                          | —                            | —             | —                   |
| Affiliated stock:                     |                        |             |           |                            |                              |               |                     |
| State Auto Financial Corporation      | 21,103                 | 434,508     | 8,348     | —                          | (34,663)                     | —             | —                   |
| Total affiliated stock                | 21,103                 | 434,508     | 8,348     | —                          | (34,663)                     | —             | —                   |
| Total assets held for investment      | 352,469                | \$7,703,711 | \$323,064 | \$(1,607)                  | \$(291,083)                  | \$647,055     | \$(325,189)         |

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2016

| 2014                                  | Number<br>of<br>Shares | Fair Value  | Dividends | Realized<br>Gain<br>(Loss) | Unrealized<br>Gain<br>(Loss) | Contributions | Benefit<br>Payments |
|---------------------------------------|------------------------|-------------|-----------|----------------------------|------------------------------|---------------|---------------------|
| Registered investment companies:      |                        |             |           |                            |                              |               |                     |
| ABF Small Cap Val Inst                | 564                    | \$14,133    | \$1,692   | \$357                      | \$(1,401)                    | \$ —          | \$(1,662)           |
| Baron Growth Inst                     | 6,934                  | 507,824     | 21,401    | 375                        | (313)                        | 20,625        | (1,635)             |
| FID Contrafund K                      | 8,072                  | 790,295     | 54,229    | 4,445                      | 10,565                       | 118,175       | (13,106)            |
| FID Diversified Intl K                | —                      | —           | —         | 76,766                     | (74,985)                     | 26,250        | (2,436)             |
| FID Freedom K 2005                    | —                      | —           | 3,850     | 4,593                      | (5,714)                      | —             | (11,846)            |
| FID Freedom K 2010                    | —                      | —           | 1,698     | 1,625                      | (2,351)                      | —             | (2,333)             |
| FID Freedom K 2015                    | —                      | —           | 11,464    | 55,671                     | (55,030)                     | 126,000       | (12,206)            |
| FID Freedom K 2020                    | —                      | —           | 65,739    | 9,032                      | (34,227)                     | 26,000        | (16,494)            |
| FID Freedom K 2025                    | —                      | —           | 25,185    | 339                        | (7,527)                      | —             | —                   |
| FID Intermed Bond                     | —                      | —           | 1,641     | 503                        | (14)                         | 26,000        | (5,918)             |
| Harbor Intl Inst                      | —                      | —           | —         | 91,156                     | (89,315)                     | 79,025        | —                   |
| JPM Mid Cap Value IS                  | —                      | —           | —         | 133,620                    | (73,171)                     | 50,000        | (4,553)             |
| MFS Value R5                          | 3,775                  | 131,883     | 6,264     | —                          | 6,075                        | 19,800        | —                   |
| MFS Inst Intl Equity                  | 50,976                 | 1,065,901   | 28,124    | (690)                      | (81,467)                     | 22,300        | (1,180)             |
| PIM Total RT Inst                     | 106,686                | 1,137,277   | 43,204    | (150)                      | (13,237)                     | 201,400       | (16,507)            |
| Spartan 500 Index ADV                 | —                      | —           | 1,824     | 54,111                     | (38,794)                     | 24,100        | (1,583)             |
| Spartan 500 Index Inst                | 3,148                  | 229,338     | 2,725     | 7                          | 6,587                        | 4,950         | (844)               |
| Spartan Ext Mkt Idx ADV               | 3,950                  | 217,949     | 5,524     | (71)                       | (819)                        | —             | (3,432)             |
| TRP Blue Chip Growth                  | 3,748                  | 252,102     | 11,646    | —                          | 9,752                        | —             | —                   |
| VANG Mid Cap IDX Adm                  | —                      | —           | —         | 4,351                      | —                            | —             | (869)               |
| VANG Mid Cap IDX SIG                  | —                      | —           | 43        | 52,563                     | (38,747)                     | —             | (3,946)             |
| VANG Target RET 2010                  | 37,895                 | 997,393     | 29,461    | 364                        | (18,501)                     | —             | (20,653)            |
| VANG Target RET 2015                  | 1,975                  | 30,204      | 867       | 4,529                      | (869)                        | —             | —                   |
| VANG Target RET 2020                  | 28,423                 | 808,905     | 16,213    | —                          | (6,568)                      | 8,750         | —                   |
| VANG Target RET 2025                  | 31,528                 | 521,157     | 10,868    | —                          | (10,413)                     | —             | —                   |
| VANG Target RET INC                   | 13,698                 | 176,847     | 2,397     | 9                          | (409)                        | —             | (8,793)             |
| Total registered investment companies | 301,372                | 6,881,208   | 346,059   | 493,505                    | (520,893)                    | 753,375       | (129,996)           |
| Interest-bearing cash:                |                        |             |           |                            |                              |               |                     |
| Fidelity US Govt Bond                 | 9,440                  | 9,440       | 39        | —                          | —                            | —             | (82,194)            |
| Total interest-bearing cash           | 9,440                  | 9,440       | 39        | —                          | —                            | —             | (82,194)            |
| Affiliated stock:                     |                        |             |           |                            |                              |               |                     |
| State Auto Financial Corporation      | 20,739                 | 460,823     | 8,204     | —                          | 19,861                       | —             | —                   |
| Total affiliated stock                | 20,739                 | 460,823     | 8,204     | —                          | 19,861                       | —             | —                   |
| Total assets held for investment      | 331,551                | \$7,351,471 | \$354,302 | \$493,505                  | \$(501,032)                  | \$753,375     | \$(212,190)         |

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN  
 Notes to the Financial Statements (continued)  
 December 31, 2016

The Plan's unrealized appreciation (depreciation) at December 31, 2016, 2015, and 2014, were as follows:

|      | Unrealized  |           |
|------|-------------|-----------|
|      | Gain        | (Loss)    |
|      | Beginning   | Ending    |
|      | Balance     | Balance   |
| 2014 | \$763,500   | 262,468   |
| 2015 | \$262,468   | (28,615 ) |
| 2016 | \$(28,615 ) | 400,283   |

The Plan's net realized gains and losses were as follows for the years ended December 31, 2016, 2015 and 2014:  
 2016

| Investment Options:    | Aggregate   | Cost        | Net        |
|------------------------|-------------|-------------|------------|
|                        | Proceeds    |             | Realized   |
|                        |             |             | Gains      |
|                        |             |             | (Losses)   |
| ABF Small Cap Val Inst | \$1,751     | \$1,583     | \$168      |
| Baron Growth Inst      | 532,061     | 509,853     | 22,208     |
| FID 500 Index Inst     | 2,694       | 2,531       | 163        |
| FID Contrafund K       | 77,648      | 75,061      | 2,587      |
| FID EXT Mkt IDX PR     | 39,653      | 42,448      | (2,795 )   |
| FID Govt MMRK PRM      | 180,315     | 180,315     | —          |
| FID Total Bond         | 192,095     | 196,142     | (4,047 )   |
| Meridian Growth Inst   | 217,306     | 208,848     | 8,458      |
| MFS Inst Intl Equity   | 26,892      | 31,067      | (4,175 )   |
| MFS Value R6           | —           | (47 )       | 47         |
| TRP Blue Chip Growth   | 55          | (36 )       | 91         |
| VANG Inst TR 2010      | 33,182      | 32,862      | 320        |
| VANG Inst TR 2015      | 61,753      | 60,813      | 940        |
| VANG Inst TR Income    | 13,990      | 13,905      | 85         |
| VANG Target RET 2010   | 1,099,241   | 1,128,921   | (29,680 )  |
| VANG Target RET 2015   | 118,769     | 119,524     | (755 )     |
| VANG Target RET 2020   | 366,233     | 371,203     | (4,970 )   |
| VANG Target RET 2025   | 1,101,415   | 1,139,305   | (37,890 )  |
| VANG Target RET INC    | 156,379     | 156,950     | (571 )     |
| Total                  | \$4,221,432 | \$4,271,248 | \$(49,816) |



STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2016

2015

| Investment Options:     | Aggregate<br>Proceeds | Cost        | Net<br>Realized<br>Gains<br>(Losses) |
|-------------------------|-----------------------|-------------|--------------------------------------|
| ABF Small Cap Val Inst  | \$1,729               | \$1,493     | \$236                                |
| Baron Growth Inst       | 1,746                 | 1,339       | 407                                  |
| FID Contrafund K        | 18,461                | 14,460      | 4,001                                |
| Fidelity US Govt Bond   | 9,441                 | 9,441       | —                                    |
| FID Total Bond          | 159,363               | 162,157     | (2,794 )                             |
| MFS Inst Intl Equity    | 20,618                | 20,239      | 379                                  |
| MFS Value R5            | —                     | (148 )      | 148                                  |
| PIM Total RT Inst       | 1,158,052             | 1,171,230   | (13,178 )                            |
| Spartan 500 Index Inst  | 2,646                 | 2,467       | 179                                  |
| Spartan EXT Mkt IDX ADV | 30,487                | 30,395      | 92                                   |
| TRP Blue Chip Growth    | —                     | (366 )      | 366                                  |
| VANG Target RET 2010    | 63,270                | 62,381      | 889                                  |
| VANG Target RET 2015    | 56,916                | 56,550      | 366                                  |
| VANG Target RET 2020    | 600,000               | 595,353     | 4,647                                |
| VANG Target RET 2025    | —                     | (2,591 )    | 2,591                                |
| VANG Target RET INC     | 26,869                | 26,805      | 64                                   |
| Total                   | \$2,149,598           | \$2,151,205 | \$(1,607 )                           |

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STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2016

2014

| Investment Options:     | Aggregate<br>Proceeds | Cost        | Net<br>Realized<br>Gains<br>(Losses) |
|-------------------------|-----------------------|-------------|--------------------------------------|
| ABF Small Cap Val Inst  | \$1,662               | \$1,305     | \$357                                |
| Baron Growth Inst       | 1,635                 | 1,260       | 375                                  |
| FID Contrafund K        | 49,382                | 44,937      | 4,445                                |
| FID Diversified Intl K  | 430,491               | 353,725     | 76,766                               |
| FID Freedom K 2005      | 78,974                | 74,381      | 4,593                                |
| FID Freedom K 2010      | 24,694                | 23,069      | 1,625                                |
| FID Freedom K 2015      | 847,924               | 792,253     | 55,671                               |
| FID Freedom K 2020      | 1,020,595             | 1,011,563   | 9,032                                |
| FID Freedom K 2025      | 371,672               | 371,333     | 339                                  |
| FID Intermed Bond       | 111,831               | 111,328     | 503                                  |
| Fidelity US Govt Bond   | 430,726               | 430,726     | —                                    |
| Harbor Intl Inst        | 702,403               | 611,247     | 91,156                               |
| JPM Mid Cap Value IS    | 793,498               | 659,878     | 133,620                              |
| MFS Inst Intl Equity    | 32,825                | 33,515      | (690 )                               |
| PIM Total RT Inst       | 50,927                | 51,077      | (150 )                               |
| Spartan 500 Index ADV   | 217,496               | 163,385     | 54,111                               |
| Spartan 500 Index Inst  | 843                   | 836         | 7                                    |
| Spartan Ext Mkt Idx ADV | 3,432                 | 3,503       | (71 )                                |
| VANG Mid Cap IDX Adm    | 217,615               | 213,264     | 4,351                                |
| VANG Mid Cap IDX SIG    | 217,209               | 164,646     | 52,563                               |
| VANG Target RET 2010    | 50,859                | 50,495      | 364                                  |
| VANG Target RET 2015    | 375,704               | 371,175     | 4,529                                |
| VANG Target RET INC     | 8,794                 | 8,785       | 9                                    |
| Total                   | \$6,041,191           | \$5,547,686 | \$493,505                            |

## 6. Trust

The Company maintains a trust to provide a source of funds to assist the Company in meeting its obligations under the Plan. The rights of participants and their beneficiaries under the Plan are merely unsecured contractual rights against the Company and its participating subsidiaries. Participants and beneficiaries have no preferred claim on, or any beneficial ownership interest in, any assets of the trust. All assets of the trust are subject to the claims of the general creditors of the Company and its participating subsidiaries under Federal and State law should the Company and its participating subsidiaries become unable to pay their debts as they become due or become subject to Federal bankruptcy proceedings.

## 7. Related Party

The Plan invests in shares of registered investment companies managed by Fidelity Management Trust Company, custodian of the Plan. Members of the Board of Directors of STFC may also invest in Affiliated stock.

## 8. Tax Status

The Plan is not, and is not intended to be, qualified under Section 401 of the Code. Consequently, an application for a favorable determination has not been filed with the Internal Revenue Service. The Plan does not have a tax filing requirement with the Internal Revenue Service, and therefore, no liability (or asset) or disclosure related to income taxes is included in the Plan's financial statements.



STATE AUTO INSURANCE COMPANIES  
AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements

December 31, 2016

Deferred amounts are subject to FICA and Medicare taxes and most local income taxes at the time of the deferral. Deferred amounts (and the earnings thereon) are not subject to Federal and most State income taxes until distributed from the Plan. Such distributions and the related taxes are the responsibility of the participants.

9. Right to Terminate

The Company may terminate the Plan at any time and for any reason. Following termination of the Plan, no additional deferrals may be made, but all existing participant accounts will continue to be administered in accordance with the Plan, unless the Company elects to accelerate distribution of all Plan accounts in accordance with Section 409A of the Code.