

State Auto Financial CORP  
Form 11-K  
March 27, 2015

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, 2014  
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

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**REQUIRED INFORMATION**

See the accompanying financial statements for the State Auto Insurance Companies Amended and Restated Directors Deferred Compensation Plan as of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012.

**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/ James A. Yano  
James A. Yano  
Senior Vice President, Secretary and General Counsel

Date: March 27, 2015

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Report of Independent Registered Public Accounting Firm

Board of Directors  
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, 2014 and 2013, and the related statements of changes in net assets available for benefits for the years ended December 31, 2014, 2013 and 2012. 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, 2014 and 2013, and the changes in net assets available for benefits for the years ended December 31, 2014, 2013 and 2012 in conformity with accounting principles generally accepted in the United States of America.

/s/ Clark, Schaefer, Hackett & Co.

Columbus, Ohio  
March 27, 2015

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Statements of Net Assets Available for Benefits

	December 31	
	2014	2013
Assets		
Investments, at fair value:		
Shares of registered investment companies (cost \$6,736,798 and \$4,925,321, respectively)	\$ 6,881,208	\$ 5,590,624
Interest-bearing cash	9,440	440,129
Affiliated stock (cost \$342,765 and \$334,561, respectively)	460,823	432,758
Total investments	7,351,471	6,463,511
Net assets available for benefits	\$ 7,351,471	\$ 6,463,511
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		
	2014	2013	2012
Investment income:			
Dividends	\$ 354,302	\$ 176,700	\$ 165,109
Unrealized (losses) gains	(501,032 )	688,218	276,804
Realized gains	493,505	131,620	58,048
Total investment income	\$ 346,775	\$ 996,538	\$ 499,961
Contributions:			
Participant	\$ 403,375	\$ 443,375	\$ 501,203
Company	350,000	400,000	350,000
Total contributions	\$ 753,375	\$ 843,375	\$ 851,203
Deductions:			
Benefit payments	\$ 212,190	\$ 123,380	\$ 10,301
Total deductions	\$ 212,190	\$ 123,380	\$ 10,301
Net increase	\$ 887,960	\$ 1,716,533	\$ 1,340,863
Net assets available for benefits:			
Beginning of year	\$ 6,463,511	\$ 4,746,978	\$ 3,406,115
End of year	\$ 7,351,471	\$ 6,463,511	\$ 4,746,978

See accompanying notes.

STATE AUTO INSURANCE COMPANIES  
AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements

December 31, 2014

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, 2014, 2013, and 2012, the discretionary contribution amounted to \$52,000, \$50,000 and \$35,000, 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, 2014

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.

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, 2014

The following tables reflect the Plan's investments within the fair value hierarchy at December 31, 2014 and 2013:

2014	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Registered investment companies:				
Large cap equity investments	\$ 1,403,618	1,403,618	—	—
Mid cap equity investments	725,773	725,773	—	—
Small cap equity investments	14,132	14,132	—	—
International equity investments	1,065,901	1,065,901	—	—
Blended fund investments	2,534,507	2,534,507	—	—
Income bond investments	1,137,277	1,137,277	—	—
Total registered investment companies	\$ 6,881,208	6,881,208	—	—
Interest-bearing cash	9,440	9,440	—	—
Affiliated stock	460,823	460,823	—	—
Total investments	\$ 7,351,471	7,351,471	—	—
2013	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Registered investment companies:				
Large cap equity investments	\$ 1,158,965	1,158,965	—	—
Mid cap equity investments	1,303,909	1,303,909	—	—
Small cap equity investments	15,146	15,146	—	—
International equity investments	1,023,997	1,023,997	—	—
Blended fund investments	1,492,952	1,492,952	—	—
Income bond investments	595,655	595,655	—	—
Total registered investment companies	\$ 5,590,624	5,590,624	—	—
Interest-bearing cash	440,129	440,129	—	—
Affiliated stock	432,758	432,758	—	—
Total investments	\$ 6,463,511	6,463,511	—	—

## 4. Participant Accounts

Participant balances for all funds are maintained in shares. Share values are determined on a periodic basis. At December 31, 2014 and 2013, there were 14 and 15 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, 2014

The total number of shares and share values as of December 31, 2014 and 2013, by fund, were as follows:  
 2014

Investment Options:	Total Number of Shares	Net Asset Share Value	Number of Participants
Registered investment companies:			
ABF Small Cap Val Inst	564	\$25.07	1
Baron Growth Inst	6,934	73.24	3
FID Contrafund K	8,072	97.90	6
MFS Value R5	3,775	34.94	1
PIM Total RT Inst	106,686	10.66	6
TRP Blue Chip Growth	3,748	67.27	2
MFS Inst Intl Equity	50,976	20.91	7
Spartan 500 Index Inst	3,148	72.86	4
Spartan EXT Mkt IDX ADV	3,950	55.18	3
VANG Target RET 2010	37,895	26.32	3
VANG Target RET 2015	1,975	15.29	1
VANG Target RET 2020	28,423	28.46	1
VANG Target RET 2025	31,528	16.53	3
VANG Target RET INC	13,698	12.91	1
Total registered investment companies	301,372		
Interest-bearing cash:			
Fidelity US Govt Bond	9,440	1.00	1
Total interest-bearing cash	9,440		
Affiliated stock:			
State Auto Financial Corporation	20,739	22.22	1
Total affiliated stock	20,739		
Total investments	331,551		

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2014

2013

Investment Options:	Total Number of Shares	Net Asset Share Value	Number of Participants
Registered investment companies:			
ABF Small Cap Val Inst	557	\$27.19	1
Baron Growth Inst	5,710	73.12	3
FID Contrafund K	6,789	96.07	7
FID Diversified Intl K	10,925	36.84	4
FID Freedom K 2005	5,673	13.44	2
FID Freedom K 2010	1,691	14.03	1
FID Freedom K 2015	49,847	14.24	4
FID Freedom K 2020	31,387	14.88	3
FID Freedom K 2025	13,935	15.51	1
FID Intermed Bond	7,729	10.83	2
Harbor Intl Inst	8,753	71.01	5
JPM Mid Cap Value IS	19,449	35.12	5
MFS Value R5	3,004	33.20	1
PIM Total RT Inst	47,891	10.69	4
Spartan US EQ Index ADV	2,691	65.49	4
TRP Blue Chip Growth	3,571	64.60	2
VANG Mid Cap IDX SIG	4,731	42.98	3
Total registered investment companies	224,333		
Interest-bearing cash:			
Fidelity US Govt Bond	440,129	1.00	3
Total interest-bearing cash	440,129		
Affiliated stock:			
State Auto Financial Corporation	20,375	21.24	1
Total affiliated stock	20,375		
Total investments	684,837		

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STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2014

## 5. Investments

The Plan's investments and related changes at December 31, 2014, 2013 and 2012 and for the years then ended were as follows:

2014	Number of Shares	Fair Value	Dividends	Realized Gain (Loss)	Unrealized Gain (Loss)	Contributions	Benefit 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	—
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 )
TRP Blue Chip Growth	3,748	252,102	11,646	—	9,752	—	—
VANG Mid Cap IDX SIG	—	—	43	52,563	(38,747)	)—	(3,946 )
MFS Inst Intl Equity	50,976	1,065,901	28,124	(690)	)(81,467)	)22,300	(1,180 )
Spartan 500 Index Inst	3,148	229,338	2,725	7	6,587	)4,950	(844 )
VANG Mid Cap IDX Adm	—	—	—	4,351	—	—	(869 )
Spartan Ext Mkt Idx ADV	3,950	217,949	5,524	(71)	)(819)	)—	(3,432 )
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, 2014

2013	Number of Shares	Fair Value	Dividends	Realized Gain (Loss)	Unrealized Gain (Loss)	Contributions	Benefit Payments
Registered investment companies:							
ABF Small Cap Val Inst	557	\$ 15,146	\$ 1,327	\$ 245	\$ 2,988	\$—	\$(1,212 )
Baron Growth Inst	5,710	417,510	10,010	199	70,438	21,000	(1,217 )
Calamos Growth Inst	—	—	—	(1,481 )	20,885	—	(2,102 )
FID Contrafund K	6,789	652,263	46,899	5,209	103,630	154,880	(1,700 )
FID Diversified Intl K	10,925	402,460	6,461	33,204	73,127	21,000	(2,734 )
FID Freedom K 2005	5,673	76,245	1,402	871	4,265	—	(19,352 )
FID Freedom K 2010	1,691	23,722	6,362	9,931	(899 )	50,000	(2,731 )
FID Freedom K 2015	49,847	709,819	12,180	11,882	48,642	127,500	(3,754 )
FID Freedom K 2020	31,387	467,034	8,451	12,155	31,509	27,500	(5,341 )
FID Freedom K 2025	13,935	216,132	—	8,183	7,140	—	(1,644 )
FID Freedom K 2030	—	—	—	5,108	(783 )	1,875	(824 )
FID Intermed Bond	7,729	83,702	3,399	5,130	(9,698 )	27,500	(7,725 )
Harbor Intl Inst	8,753	621,537	12,805	4,604	67,539	91,220	—
JPM Mid Cap Value IS	19,449	683,049	32,801	—	57,747	28,500	—
MFS Value R4	—	—	311	16,393	(5,225 )	18,040	—
MFS Value R5	3,004	99,743	3,013	—	8,806	7,040	—
PIM Total RT Inst	47,891	511,953	17,012	(5,789 )	(28,047 )	219,940	—
Spartan US EQ Index ADV	2,691	176,255	3,845	25,419	28,611	47,380	(4,049 )
TRP Blue Chip Growth	3,571	230,704	—	—	44,498	—	—
VANG Mid Cap IDX SIG	4,731	203,350	2,331	357	36,354	—	(1,751 )
Total registered investment companies	224,333	5,590,624	168,609	131,620	561,527	843,375	(56,136 )
Interestbearing cash:							
Fidelity US Govt Bond	440,129	440,129	45	—	—	—	(67,244 )
Total interest-bearing cash	440,129	440,129	45	—	—	—	(67,244 )
Affiliated stock:							
State Auto Financial Corporation	20,375	432,758	8,046	—	126,691	—	—
Total affiliated stock	20,375	432,758	8,046	—	126,691	—	—
Total assets held for investment	684,837	\$ 6,463,511	\$ 176,700	\$ 131,620	\$ 688,218	\$ 843,375	\$(123,380)

STATE AUTO INSURANCE COMPANIES  
 AMENDED AND RESTATED DIRECTORS DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2014

2012	Number of Shares	Fair Value	Dividends	Realized Gain (Loss)	Unrealized Gain (Loss)	Contributions	Benefit Payments
Registered investment companies:							
ABF Small Cap Val Inst	554	\$ 11,797	\$455	\$(41)	)\$342	\$ 11,040	\$—
Baron Growth Inst	1,556	84,105	8,248	59	(2,173)	)45,941	—
Calamos Growth Inst	6,219	323,764	21,651	6	1,684	12,994	—
FID Contrafund K	5,097	395,090	4,689	3,294	36,062	160,029	—
FID Diversified Intl K	19,117						