

State Auto Financial CORP  
Form 11-K  
March 28, 2012  
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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, 2011

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 Property & Casualty Insurance Company

Amended and Restated

Incentive Deferred Compensation Plan

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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 Property & Casualty Insurance Company Amended and Restated Incentive Deferred Compensation Plan as of December 31, 2011 and 2010, and for the years ended December 31, 2011, 2010 and 2009.

**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 Property & Casualty Insurance Company  
Amended and Restated Incentive Deferred  
Compensation Plan

By: /s/ Steven E. English  
Steven E. English  
Chief Financial Officer

By: /s/ James A. Yano  
James A. Yano  
Vice President, Secretary and General Counsel

Date: March 28, 2012

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Report of Independent Registered Public Accounting Firm

Board of Directors

State Auto Financial Corporation

We have audited the accompanying statements of net assets available for benefits of the State Auto Property & Casualty Insurance Company Amended and Restated Incentive Deferred Compensation Plan (the Plan), as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits for the years ended December 31, 2011, 2010 and 2009. 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. We were not engaged to perform an audit of the Plan's internal control over financial reporting. An audit includes 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 internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2011 and 2010, and the changes in net assets available for benefits for the years ended December 31, 2011, 2010 and 2009 in conformity with accounting principles generally accepted in the United States of America.

/s/ Clark, Schaefer, Hackett & Co.

March 28, 2012

Columbus, Ohio

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STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY  
 AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Statements of Net Assets Available for Benefits

	December 31	
	2011	2010
<b>Assets</b>		
<u>Investments, at fair value:</u>		
Shares of registered investment companies (cost \$2,607,847 and \$2,209,213, respectively)	<b>\$ 2,568,103</b>	\$ 2,374,475
Interest-bearing cash	<b>545,909</b>	659,936
Affiliated Stock (cost \$183,652 and \$92,809, respectively)	<b>165,360</b>	96,909
<i>Total investments</i>	<b>3,279,372</b>	3,131,320
<i>Total Assets</i>	<b>3,279,372</b>	3,131,320
<b>Liabilities</b>		
Assets payable	<b>30,575</b>	61,150
<i>Total Liabilities</i>	<b>30,575</b>	61,150
<b>Net assets available for benefits</b>	<b>\$ 3,248,797</b>	\$ 3,070,170

See accompanying notes.

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STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY  
 AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31		
	2011	2010	2009
<b><u>Investment income (loss):</u></b>			
Dividends	\$ 74,104	71,590	53,086
Unrealized gain (loss)	(227,398)	(54,587)	782,438
Realized gain (loss)	126,652	258,909	(341,209)
<b><i>Total investment income (loss)</i></b>	<b>(26,642)</b>	275,912	494,315
<b><u>Contributions:</u></b>			
Employee	648,358	420,308	454,559
Employer	50,005	29,929	8,687
<b><i>Total contributions</i></b>	<b>698,363</b>	450,237	463,246
<b><u>Deductions:</u></b>			
Benefit payments	493,094	516,518	355,412
<b><i>Total deductions</i></b>	<b>493,094</b>	516,518	355,412
<b><i>Net increase</i></b>	<b>178,627</b>	209,631	602,149
<b><u>Net assets available for benefits:</u></b>			
Beginning of year	3,070,170	2,860,539	2,258,390
<b>End of year</b>	<b>\$ 3,248,797</b>	3,070,170	2,860,539

See accompanying notes.

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STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY  
AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Notes to the Financial Statements

December 31, 2011

**1. Description of the Plan**

**Organization**

The State Auto Property & Casualty Insurance Company Amended and Restated Incentive Deferred Compensation Plan (the Plan) became effective on August 1, 1995. The Plan was amended and restated in its entirety effective as of March 1, 2010, to incorporate amendments made to the Plan subsequent to the Plan's prior restatement effective as of March 1, 2001, and to add as an investment option a fund comprised solely of shares of the State Auto Financial Corporation common stock ( Affiliated Stock ).

Eligible executives include high income or key management employees designated by the President, Chairman and Chief Executive Officer on an annual basis. Plan participation is voluntary. The Plan provides to those eligible executives the benefits they would otherwise earn under the State Auto Insurance Companies Retirement Savings Plan (fka the State Auto Insurance Companies Capital Accumulation Plan) (the Qualified Plan) if certain federal law restrictions did not apply, and the opportunity to defer designated amounts of their salary and bonuses.

Effective as of January 1, 2011, the Plan was amended to include the ability to transfer the maximum annual contributions permissible to be made to the Qualified Plan each calendar year from the Plan to the Qualified Plan no later than the March 15<sup>th</sup> following the December 31<sup>st</sup> of the plan year to which the contributions relate.

Effective as of July 1, 2010, the Plan was amended to include, among other things, the following changes:

The Company will be required to contribute any excess portion of any nonelective contributions not eligible to be contributed to the Qualified Plan.

Participants will become vested in the Company nonelective contributions after three years of service or upon retirement, death or total disability prior to retirement or other termination of service.

The benefits provided to participants under the Plan are paid from the general assets of State Auto Property & Casualty Insurance Company (the Company). 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 is equivalent to the rights of any unsecured creditor of the Company.

Newly eligible executives who wish to participate in the Plan must enroll within 30 days after becoming eligible to participate and defer income from the current calendar year. For subsequent years, participants must enroll prior to the beginning of each new Plan year.

**Contributions**

Participants are permitted to defer on a pretax basis (a) from 1% to 100% of the participant's eligible base salary received in the Plan year and/or (b) from 1% to 100% of each eligible participant's bonus. In addition, the Company matches eligible base salary deferrals at the same rate and in the same manner that it is generally matching 401(k) deferrals under the Qualified Plan. Any limitations on the match under the Qualified Plan also apply to the Plan, with the match under the Plan being offset by the match to the Qualified Plan to the extent duplicative. For example, at



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the present time under the Qualified Plan, the Company matches up to 6% of compensation at the rate of 100% on the first 1% of contributions plus 50% on contributions in excess of 1%, up to a maximum of 6%. Under the Plan, the Company similarly matches up to 6% of eligible base salary, as defined above, less amounts matched under the Qualified Plan. Effective July 1, 2010, the Company is required to make nonelective contributions that are not eligible to be contributed to the Qualified Plan.

### **Vesting**

Each participant is fully vested in base salary, bonus deferrals, and any associated earnings. After five years of service or upon attainment of age 55, retirement, death, or total disability prior to age 55 or other termination of service, each participant is fully vested in matching contributions. After three years of service or upon attainment of age 55, retirement, death, or total disability prior to age 55 or other termination of service, each participant is fully vested in nonelective contributions.

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STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY  
AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2011

**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.

**Payment of Benefits**

The balance of each deferral account is distributed in cash to the participant based on the participant's distribution election upon a specified date certain or the later of age 55 or termination of service. If no distribution election is made, payments are made in monthly installments over a five-year period.

**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.

**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. Dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of securities are determined on the average cost method.

**Benefit Payments**

Benefit payments are recognized when paid.

**Administrative Expenses**

All 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.

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STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY

AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2011

**Adoption of New Accounting Pronouncements**

*Improving Disclosures about Fair Value Measurements*

In January 2010, Financial Accounting Standards Board ( FASB ) issued guidance to improve the disclosures related to fair value measurements. The guidance requires the information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements to be presented separately on a gross basis, rather than as one net number. The Plan adopted this guidance effective January 1, 2011. The adoption of the new guidance had no effect on the Plan s financial statement.

In January 2010, the FASB issued guidance to improve the disclosures related to fair value measurements. The new guidance requires expanded fair value disclosures, including the reasons for significant transfers between Level 1 and Level 2 and the amount of significant transfers into each level disclosed separately from transfers out of each level. For Level 3 fair value measurements, information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements shall be presented separately on a gross basis, rather than as one net number. In addition, clarification is provided about existing disclosure requirements, such as presenting fair value measurement disclosures for each *class* of assets and liabilities that are determined based on their nature and risk characteristics and their placement in the fair value hierarchy (that is, Level 1, 2, or 3), as opposed to each *major category* of assets and liabilities, as required in the previous guidance. Disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements are required for fair value measurement that fall in either Level 2 or Level 3. The Company adopted this new guidance effective January 1, 2010, except for the gross presentation of purchases, sales, issuances and settlements in the Level 3 reconciliation, which is effective for annual and interim reporting periods beginning after December 15, 2010. The adoption of the new guidance effective January 1, 2010 had no effect on the Plan s financial statements.

**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.

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*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.

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## STATE AUTO PROPERTY &amp; CASUALTY INSURANCE COMPANY

## AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2011

The following tables reflect the Plan's investments within the fair value hierarchy at December 31, 2011 and 2010:

2011	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Registered investment companies:</b>				
Large cap equity investments	\$ 741,839	741,839		
Mid cap equity investments	215,280	215,280		
Small cap equity investments	37,312	37,312		
International equity investments	170,275	170,275		
Blended fund investments	701,903	701,903		
Income bond investments	701,494	701,494		
<i>Total registered investment companies</i>	<b>2,568,103</b>	<b>2,568,103</b>		
Interest-bearing cash	545,909	545,909		
Affiliated Stock	165,360	165,360		
<i>Total investments</i>	<b>\$ 3,279,372</b>	<b>3,279,372</b>		

2010	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Registered investment companies:</b>				
Large cap equity investments	\$ 939,928	939,928		
Mid cap equity investments	164,732	164,732		
Small cap equity investments	19,309	19,309		
International equity investments	217,924	217,924		
Blended fund investments	453,615	453,615		
Income bond investments	578,967	578,967		
<i>Total registered investment companies</i>	<b>2,374,475</b>	<b>2,374,475</b>		
Interest-bearing cash	659,936	659,936		

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Affiliated Stock	96,909	96,909
<i>Total investments</i>	\$ 3,131,320	3,131,320

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## STATE AUTO PROPERTY &amp; CASUALTY INSURANCE COMPANY

## AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2011

**4. Participant Accounts**

Participant balances for all funds are maintained in shares. Share values are determined on a periodic basis. At December 31, 2011 and 2010, there were 57 and 54 participants in the Plan, respectively, 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. The total number of shares and share values, and number of participants as of December 31, 2011 and 2010, by fund, were as follows:

2011

Investment Options

	Total Number of Shares	Net Asset Share Value	Number of Participants
<u>Registered Investment Companies</u>			
ABF Sm Cap Val Inst	1,963	19.01	9
Baron Growth Inst	1,431	51.35	14
Calamos Growth Inst	1,608	50.85	15
FID Contrafund K	6,773	67.41	24
FID Diversified Intl K	3,688	25.48	15
FID Freedom K 2010	734	12.10	2
FID Freedom K 2015	16,909	12.13	7
FID Freedom K 2020	8,139	12.43	5
FID Freedom K 2025	1,910	12.44	6
FID Freedom K 2030	9,954	12.54	10
FID Freedom K 2035	1,239	12.53	2
FID Freedom K 2040	49	12.57	1
FID Freedom K 2045	247	12.66	1
FID Freedom K 2050	1,765	12.65	1
FID Freedom K Income	11,521	11.30	3
FID Intermed Bond	9,517	10.88	10
FID Puritan K	3,754	17.68	11
Harbor Intl Inst	1,455	52.45	13
JPM Mid Cap Value IS	3,103	23.75	11
MFS Value Fund R4	6,012	22.38	12
PIM Total RT Inst	55,010	10.87	18
Spartan US EQ Index	1,549	44.49	11
VANG Mid Cap IDX SIG	2,421	28.13	7



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<i>Total Registered Investment Companies</i>	<b>150,751</b>		
<u>Interest Bearing Cash</u>			
Fidelity US Govt Bond	<b>545,909</b>	<b>1.00</b>	<b>19</b>
<i>Total Interest Bearing Cash</i>	<b>545,909</b>		
<u>Affiliated Stock</u>			
State Auto Financial Corporation	<b>12,168</b>	<b>13.59</b>	<b>5</b>
<i>Total Affiliated Stock</i>	<b>12,168</b>		
<i>Total Investments</i>	<b>708,828</b>		

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## STATE AUTO PROPERTY &amp; CASUALTY INSURANCE COMPANY

## AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2011

2010

Investment Options

	Total Number of Shares	Net Asset Share Value	Number of Participants
<u>Registered Investment Companies</u>			
ABF Sm Cap Val	995	19.41	6
Baron Growth	1,009	51.23	10
Calamos Growth A	2,655	53.38	16
FID Contrafund K	7,845	67.70	25
FID Diversified Intl K	4,299	30.12	17
FID Freedom K 2010	702	12.68	2
FID Freedom K 2015	13,004	12.72	5
FID Freedom K 2020	5,798	13.19	6
FID Freedom K 2025	375	13.40	2
FID Freedom K 2030	7,378	13.60	7
FID Freedom K 2035	371	13.78	1
FID Freedom K 2040	3	13.86	1
FID Freedom K 2045	236	13.96	1
FID Freedom K 2050	1,685	14.02	1
FID Freedom K Income	663	11.43	2
FID Intermed Bond	8,940	10.55	9
FID Puritan K	3,230	17.91	10
Harbor Intl Inst	1,461	60.55	12
JPM Mid Cap Value A	2,726	23.13	8
MFS Value Fund A	5,667	22.81	13
PIM Total RT Inst	44,668	10.85	17
Spartan US EQ Index	3,098	44.48	11
VANG Mid Cap IDX	2,461	20.31	6
<i>Total Registered Investment Companies</i>	119,269		
<u>Interest Bearing Cash</u>			
Fidelity US Govt Bond	659,936	1.00	20
<i>Total Interest Bearing Cash</i>	659,936		
<u>Affiliated Stock</u>			
State Auto Financial Corporation	5,563	17.42	4

<i>Total Affiliated Stock</i>	5,563
<i>Total Investments</i>	784,768

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## STATE AUTO PROPERTY &amp; CASUALTY INSURANCE COMPANY

## AMENDED AND RESTATED INCENTIVE DEFERRED COMPENSATION PLAN

Notes to the Financial Statements (continued)

December 31, 2011

**5. Investments:** The Plan's investments and related changes at December 31, 2011, 2010 and 2009, and for the years then ended were as follows:

<b>2011</b>	Number of Shares	Fair Value	Dividends	Realized Gain (loss)	Unrealized Gain (loss)	Contributions	Benefit Payments
<b>Registered Investment Companies</b>							
ABF Sm Cap Val Inst	1,963	\$ 37,312	\$ 164	\$ 11	\$ 742	\$ 2,335	\$
ABF Sm Cap Val Inv				3,184	(5,912)	19,256	
Baron Growth				15,270	(14,147)	24,156	(75)
Baron Growth Inst	1,431	73,481	1,130	(15)	(834)	3,136	(15)
Calamos Growth A				30,057	(31,885)	13,444	(12,570)
Calamos Growth Inst	1,608	81,790	3,308	(121)	(7,063)	1,264	(2,507)
FID Contrafund K	6,773	456,578	1,923	6,736	(6,679)	49,956	(57,771)
FID Diversified Intl K	3,688	93,976	1,974	(1,522)	(15,766)	10,219	(10,307)
FID Freedom K 2010	734	8,881	400		(417)		
FID Freedom K 2015	16,909	205,103	8,535	344	(9,964)	41,379	
FID Freedom K 2020	8,139	101,169	4,622	(60)	(6,359)	28,607	(730)
FID Freedom K 2025	1,910	23,765	956	(42)	(1,694)	20,969	
FID Freedom K 2030	9,954	124,827	6,085	4	(10,386)	29,644	(855)
FID Freedom K 2035	1,239	15,522	580		(1,037)	10,872	
FID Freedom K 2040	49	621	23		(51)	610	
FID Freedom K 2045	247	3,126	151				