

State Auto Financial CORP
Form 10-Q
May 03, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2019

or
Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 000-19289

STATE AUTO FINANCIAL CORPORATION

(Exact name of Registrant as specified in its charter)

Ohio 31-1324304
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

518 East Broad Street, Columbus, Ohio 43215-3976

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (614) 464-5000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, without par value	STFC	The NASDAQ Global Select Market

On April 26, 2019, the Registrant had 43,403,270 Common Shares outstanding.

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STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES

(a majority-owned subsidiary of State Automobile Mutual Insurance Company)

PART I – FINANCIAL STATEMENTS

Item 1. Condensed Consolidated Balance Sheets

(\$ and shares in millions, except per share amounts)	March 31, 2019	December 31, 2018
(unaudited)		
Assets		
Fixed maturities, available-for-sale, at fair value (amortized cost \$2,130.9 and \$2,188.2, respectively)	\$2,136.6	\$ 2,159.5
Equity securities	363.9	315.0
Other invested assets	53.5	48.8
Other invested assets, at cost	5.6	5.6
Notes receivable from affiliate	70.0	70.0
Total investments	2,629.6	2,598.9
Cash and cash equivalents	72.3	59.8
Accrued investment income and other assets	36.6	32.4
Deferred policy acquisition costs (affiliated net assumed \$48.6 and \$48.3, respectively)	104.3	101.9
Reinsurance recoverable on losses and loss expenses payable	4.6	5.5
Prepaid reinsurance premiums	6.7	6.6
Current federal income taxes	6.3	5.9
Net deferred federal income taxes	57.7	77.8
Property and equipment, at cost	6.0	7.1
Total assets	\$2,924.1	\$ 2,895.9
Liabilities and Stockholders' Equity		
Losses and loss expenses payable (affiliated net assumed \$583.7 and \$593.6, respectively)	\$1,128.9	\$ 1,146.8
Unearned premiums (affiliated net assumed \$103.7 and \$112.4, respectively)	587.5	584.2
Notes payable (affiliates \$15.2 and \$15.2, respectively)	122.0	122.0
Pension and postretirement benefits	82.4	83.0
Due to affiliate	18.4	22.4
Other liabilities (affiliated net assumed \$11.5 and \$19.9, respectively)	89.6	119.0
Total liabilities	2,028.8	2,077.4
Stockholders' equity:		
Class A Preferred stock (nonvoting), without par value. Authorized 2.5 shares; none issued	—	—
Class B Preferred stock, without par value. Authorized 2.5 shares; none issued	—	—
Common stock, without par value. Authorized 100.0 shares; 50.1 and 50.0 shares issued, respectively, at stated value of \$2.50 per share	125.3	125.0
Treasury stock, 6.8 and 6.8 shares, respectively, at cost	(117.5)	(117.0)
Additional paid-in capital	198.4	194.2
Accumulated other comprehensive (loss) income	(68.6)	(96.4)
Retained earnings	757.7	712.7
Total stockholders' equity	895.3	818.5
Total liabilities and stockholders' equity	\$2,924.1	\$ 2,895.9

See accompanying notes to condensed consolidated financial statements.

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STATE AUTO FINANCIAL CORPORATION AND SUBSIDIARIES

(a majority-owned subsidiary of State Automobile Mutual Insurance Company)

Condensed Consolidated Statements of Income

(\$ in millions,

except per share Three months ended March 31

amounts)

(unaudited)

2019 2018

Earned premiums

(affiliated net
assumed \$59.7 and \$302.7 \$314.9

\$98.0, respectively)

Net investment

income (affiliates
\$1.2 and \$1.2, 19.4 19.9

respectively)

Net investment gain
(loss) 44.9 (11.7)Other income from
affiliates 0.6 0.6

Total revenues 367.6 323.7

Losses and loss

expenses (affiliated
net assumed \$56.4 194.3 212.3

and \$46.2,

respectively)

Acquisition and

operating expenses
(affiliated net 107.6 110.8

assumed \$24.2 and

\$43.6, respectively)

Interest expense

(affiliates \$0.2 and 1.2 1.6

\$0.2, respectively)

Other expenses 2.9 2.3

Total expenses 306.0 327.0

Income (loss)

before federal 61.6 (3.3)

income taxes

Federal income tax

expense (benefit):

Current (0.4) (1.0)

Deferred 12.6 (0.2)

Total federal
income tax expense 12.2 (1.2)(benefit)
Net income (loss) \$49.4 \$(2.1)

Earnings (loss) per
common share:

Basic	\$1.14	\$(0.05))
Diluted	\$1.12	\$(0.05))

Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in Patterson-UTI's and SSE's SEC filings. Patterson-UTI's filings may be obtained by contacting Patterson-UTI or the SEC or through Patterson-UTI's web site at <http://www.patenergy.com> or through the SEC's Electronic Data Gathering and Analysis Retrieval System (EDGAR) at <http://www.sec.gov>. SSE's filings may be obtained by contacting SSE or the SEC or through SSE's web site at www.77nrg.com or through EDGAR at <http://www.sec.gov>. Patterson-UTI and SSE undertake no obligation to publicly update or revise any forward-looking statement.

Dividends paid per
common share \$0.10 \$

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