

Press Release

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Delphi Announces Record 2000 Operating Results, Deleveraging and Cash Dividend

Wilmington, Delaware – February 14, 2001 -- Delphi Financial Group, Inc. (NYSE:DFG) today reported a 14% increase in 2000 operating earnings to a record \$4.24 per share, or \$86.4 million, from \$3.73 per share, or \$80.9 million, a year ago.⁽¹⁾ This achievement is primarily attributable to excellent performance within the Company's group employee benefits segment. Group employee benefit premiums grew 12% in 2000, adjusting for the Company's exit at the end of 1999 from the federal employee group life insurance program and loss portfolio transfer business, which is episodic in nature. During 2000, the Company's combined ratio improved to 92.3% compared to 95.2% in 1999. The Company's portfolio yield was 7.5% in 2000 compared to 7.6% in 1999.

The Company announced that it has made a major strategic decision to deleverage its holding company and to further emphasize insurance operations in the future. Delphi liquidated the substantial majority of its \$267 million in holding company investments in the fourth quarter and has reduced its corporate debt by over \$100 million so far during the first quarter of 2001 to \$154 million. The Company's debt to total capitalization ratio currently stands at approximately 20%. The liquidation of holding company financial assets, which have been carried at market value in Delphi's financial statements and many of which had unrealized losses, together with other portfolio realignments, generated realized investment losses in 2000 of \$4.40 per share, producing a net loss for the year of \$.16 per share. However, the Company's diluted book value grew nearly 10% to \$26.87 per share, or \$538.2 million, at the end of 2000 from \$24.52 per share, or \$501.4 million, at the end of 1999.

Delphi also announced that it will begin paying a quarterly cash dividend of \$.07 per share. Its Board of Directors has set a record date of February 28, 2001 and a payment date of March 14, 2001 for the first dividend.

Commenting on these developments, Robert Rosenkranz, Chairman and Chief Executive Officer, said, "We are very pleased with our operating results for 2000. Our insurance subsidiaries achieved excellent operating performance in 2000 and, we believe, have good prospects for continued growth. However, our holding company investment activity and the level of our corporate debt have often been criticized by the stock analyst community and the rating agencies. We have decided to address this issue by liquidating the substantial majority of our holding company assets and significantly reducing corporate debt. We have brought debt down by over \$100 million so far in 2001 and anticipate further reductions. The liquidation of holding company assets did not adversely affect our financial condition. In fact, our net worth was up from \$501 million to \$538 million in 2000. However, in order to raise cash to repay debt, we did realize substantial capital losses, most of which had been reflected as unrealized balance sheet items for several years. We believe our shareholders will be better off with a deleveraged company in which our strong insurance operating results are front and center."

He also noted, "We are also pleased to announce the initiation of a quarterly cash dividend of \$.07 per share. In doing so, we will expand the Company's potential investor base to include those that will only own stocks with cash dividends, and begin returning a stream of income to our stockholders. Previously, we had been one of the few insurance companies

our size without a cash dividend.”

The Company’s fourth quarter operating earnings were \$.91 per share, or \$18.6 million, compared with \$.93 per share, or \$20.1 million, a year ago.⁽¹⁾ During the fourth quarter, group employee benefit premiums increased 19%, adjusting for the Company’s exit from the federal group employee life insurance program and loss portfolio transfer business, which is episodic. During the fourth quarter, the Company’s combined ratio improved to 91.0% from 95.6% a year ago and its portfolio yield was 6.9% as compared to 7.5%. Primarily as a result of adopting its deleveraging strategy, the Company realized investment losses in the fourth quarter of 2000 of \$4.27 per share, producing a loss for the quarter of \$3.36 per share.

Commenting on fourth quarter results, Mr. Rosenkranz said, “Our group employee benefit business continues to perform well. We are particularly pleased with the results of long-term disability and excess workers’ compensation in the fourth quarter and full year 2000. In addition, we believe the cyclical outlook for excess workers’ compensation is robust and our integrated employee benefit efforts through our Matrix Absence Management subsidiary are having a positive impact on premium production.”

On February 15, 2001 at 11:00 AM (Eastern Time), Delphi will broadcast the Company’s year-end 2000 earnings teleconference live on the Internet, hosted by Robert Rosenkranz, Chairman and Chief Executive Officer. Investors can access the broadcast at www.delphifin.com or www.streetevents.com. It is advisable to register at least 15 minutes prior to the call to download and install any necessary audio software. The on-line replay will be available for one week beginning at approximately 1:00 PM (Eastern Time) on February 15, 2001.

Delphi Financial Group, Inc. is an integrated employee benefit services company. Delphi is a leader in managing all aspects of employee absence to enhance the productivity of its clients and provides the related insurance coverages: long-term and short-term disability, excess and primary workers’ compensation, group life, and travel accident. Delphi’s asset accumulation business emphasizes individual annuity products. Delphi’s common stock is listed on the New York Stock Exchange under the symbol DFG and its corporate website address is www.delphifin.com.

In connection with, and because it desires to take advantage of, the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, Delphi cautions readers regarding certain forward-looking statements in the foregoing discussion and in any other statement made by, or on behalf of, Delphi, whether in future filings with the Securities and Exchange Commission or otherwise. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results, prospects, outlooks or other developments. Some forward-looking statements may be identified by the use of terms such as “expects,” “believes,” “anticipates,” “intends,” “judgment” or other similar expressions. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond Delphi’s control and many of which, with respect to future business decisions, are subject to change. Examples of such uncertainties and contingencies include, among other important factors, those affecting the insurance industry generally, such as the economic and interest rate environment, legislative and regulatory developments and market pricing and competitive trends relating to insurance products and services, and those relating specifically to Delphi’s business, such as the level of its insurance premiums and fee income, the claims experience and other factors affecting the profitability of its insurance products, the performance of its investment portfolio, acquisitions of companies or blocks of business, and ratings by major rating organizations of its insurance subsidiaries. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, Delphi. Delphi disclaims any obligation to update forward-looking information.

⁽¹⁾ Operating earnings exclude after-tax realized investment losses and discontinued operations. All per share amounts are on a diluted basis.

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DELPHI FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF (LOSS) INCOME
(Unaudited; in thousands, except per share data)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>12/31/00</u>	<u>12/31/99</u>	<u>12/31/00</u>	<u>12/31/99</u>
Revenue:				
Premium and fee income	\$ 120,514	\$ 119,962	\$ 466,357	\$ 485,268
Net investment income	<u>41,677</u>	<u>46,533</u>	<u>184,576</u>	<u>180,945</u>
	<u>162,191</u>	<u>166,495</u>	<u>650,933</u>	<u>666,213</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	86,858	91,977	342,758	378,409
Commissions and expenses.....	<u>39,523</u>	<u>38,035</u>	<u>150,804</u>	<u>142,809</u>
	<u>126,381</u>	<u>130,012</u>	<u>493,562</u>	<u>521,218</u>
Operating income	35,810	36,483	157,371	144,995
Interest expense.....	5,361	4,903	21,457	18,178
Income tax expense	10,355	9,985	43,424	39,915
Dividends on Capital Securities of Delphi Funding L.L.C. .	<u>1,513</u>	<u>1,513</u>	<u>6,052</u>	<u>6,052</u>
Income from continuing operations excluding realized investment losses	18,581	20,082	86,438	80,850
Realized investment losses, net of taxes	<u>(87,378)</u>	<u>(6,782)</u>	<u>(89,731)</u>	<u>(16,718)</u>
(Loss) income from continuing operations.....	(68,797)	13,300	(3,293)	64,132
Loss on disposal of discontinued operations, net of taxes....	-	-	-	(13,847)
Net (loss) income	<u>\$ (68,797)</u>	<u>\$ 13,300</u>	<u>\$ (3,293)</u>	<u>\$ 50,285</u>
Basic results per share of common stock:				
Income from continuing operations excluding realized investment losses	\$ 0.91	\$ 0.96	\$ 4.24	\$ 3.85
Realized investment losses, net of taxes.....	<u>(4.27)</u>	<u>(0.32)</u>	<u>(4.40)</u>	<u>(0.79)</u>
(Loss) income from continuing operations.....	(3.36)	0.64	(0.16)	3.06
Loss on disposal of discontinued operations, net of taxes	-	-	-	(0.66)
Net (loss) income	<u>\$ (3.36)</u>	<u>\$ 0.64</u>	<u>\$ (0.16)</u>	<u>\$ 2.40</u>
Weighted average shares outstanding	20,483	20,873	20,388	20,979
Diluted results per share of common stock:				
Income from continuing operations excluding realized investment losses	\$ 0.91	\$ 0.93	\$ 4.24	\$ 3.73
Realized investment losses, net of taxes.....	<u>(4.27)</u>	<u>(0.31)</u>	<u>(4.40)</u>	<u>(0.77)</u>
(Loss) income from continuing operations.....	(3.36)	0.62	(0.16)	2.96
Loss on disposal of discontinued operations, net of taxes	-	-	-	(0.64)
Net (loss) income	<u>\$ (3.36)</u>	<u>\$ 0.62</u>	<u>\$ (0.16)</u>	<u>\$ 2.32</u>
Weighted average shares outstanding	20,483	21,491	20,388	21,674

DELPHI FINANCIAL GROUP, INC.
SUMMARIZED CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except per share data)

	<u>12/31/00</u>	<u>12/31/99</u>
Assets:		
Invested assets	\$ 2,273,361	\$ 2,515,810
Other assets	<u>1,166,649</u>	<u>879,878</u>
Total assets	<u>\$ 3,440,010</u>	<u>\$ 3,395,688</u>
Liabilities and shareholders=equity:		
Policy liabilities and accruals	\$ 1,170,144	\$ 1,140,687
Policyholder account balances	782,452	676,664
Corporate debt	267,770	283,938
Other liabilities	<u>581,451</u>	<u>692,982</u>
Total liabilities	2,801,817	2,794,271
Capital Securities of Delphi Funding L.L.C.	100,000	100,000
Shareholders=equity	<u>538,193</u>	<u>501,417</u>
Total liabilities and shareholders=equity	<u>\$ 3,440,010</u>	<u>\$ 3,395,688</u>
Diluted book value per share of common stock	\$ 26.87	\$ 24.52
Diluted book value per share of common stock before		
net unrealized depreciation on investments	\$ 29.15	\$ 28.96