



**FINANCIAL
SUPPLEMENT**

THIRD QUARTER 2001

DELPHI FINANCIAL GROUP, INC.
Financial Supplement
Third Quarter 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.

(Interim results are unaudited)

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DELPHI FINANCIAL GROUP, INC.
Selected Financial Highlights
(In Thousands, Except Per Share Data)

<u>For period ended:</u>	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Year Ended</u>	
	<u>09/30/01</u>	<u>09/30/00</u>	<u>09/30/01</u>	<u>09/30/00</u>	<u>12/31/00</u>	<u>12/31/99</u>
Operating income (A)	\$ 27,190	\$ 40,749	\$ 89,891	\$ 121,561	\$ 157,371	\$ 144,995
Income from continuing operations excluding net realized investment gains (losses) (A)	16,074	22,646	51,735	67,857	86,438	80,850
Per common share, assuming dilution (A)	0.76	1.07	2.45	3.23	4.24	3.73
Weighted average shares outstanding	21,149	21,154	21,106	21,039	20,388	21,674
Interest coverage ratio on corporate debt (B)	12.21	7.61	10.40	7.55	7.33	7.98
Annualized return on average equity (B)	12.3%	17.9%	12.5%	17.8%	16.6%	15.1%
<u>At period ended:</u>			<u>09/30/01</u>	<u>12/31/00</u>	<u>12/31/99</u>	
Assets			\$3,407,398	\$3,440,010	\$3,395,688	
Corporate debt			113,696	267,770	283,938	
Capital Securities of Delphi Funding L.L.C.			36,050	100,000	100,000	
Shareholders' equity			622,076	538,193	501,417	
Diluted book value per share of common stock			\$ 30.23	\$ 26.87	\$ 24.52	
Diluted book value per share of common stock (C)			31.11	29.15	28.96	
Debt to total capitalization ratio			14.7%	29.6%	32.1%	

(A) Results for the three and nine months ended September 30, 2001 include a loss of \$2.5 million, or \$0.12 per share, net of taxes and reinsurance coverages, as a result of the World Trade Center attacks.

(B) Excludes realized investment gains and losses, World Trade Center losses, discontinued operations and extraordinary gain.

(C) Before net unrealized depreciation on investments.

DELPHI FINANCIAL GROUP, INC.
Quarterly Historical Operating Results by Product Category
(Dollars in Thousands)

	<u>09/30/01</u>	<u>06/30/01</u>	<u>03/31/01</u>	<u>12/31/00</u>	<u>09/30/00</u>	<u>06/30/00</u>	<u>03/31/00</u>	<u>12/31/99</u>
Premium and fee income:								
Employee benefit products	\$ 122,414	\$ 118,182	\$ 118,986	\$ 115,651	\$ 116,412	\$ 107,215	\$ 108,412	\$ 115,480
Asset accumulation products	766	458	336	803	593	710	445	594
Other	3,888	3,873	3,983	4,060	3,956	4,198	3,902	3,888
Total premium and fee income	<u>127,068</u>	<u>122,513</u>	<u>123,305</u>	<u>120,514</u>	<u>120,961</u>	<u>112,123</u>	<u>112,759</u>	<u>119,962</u>
Net investment income:								
Employee benefit products	20,304	20,325	19,997	22,435	23,826	25,255	28,408	25,271
Asset accumulation products	16,838	17,847	17,884	17,991	20,599	20,031	20,698	19,866
Other	1,255	1,261	1,185	1,251	1,262	1,250	1,570	1,396
Total investment income	<u>38,397</u>	<u>39,433</u>	<u>39,066</u>	<u>41,677</u>	<u>45,687</u>	<u>46,536</u>	<u>50,676</u>	<u>46,533</u>
Benefits and expenses:								
Employee benefit products	117,059 *	109,564	109,448	105,300	105,803	98,704	103,153	110,341
Asset accumulation products	14,828	14,946	14,858	14,791	14,063	13,889	12,671	12,084
Other	6,388	6,340	6,460	6,290	6,033	5,472	7,393	7,587
Total benefits and expenses	<u>138,275</u>	<u>130,850</u>	<u>130,766</u>	<u>126,381</u>	<u>125,899</u>	<u>118,065</u>	<u>123,217</u>	<u>130,012</u>
Operating income:								
Employee benefit products	25,659 *	28,943	29,535	32,786	34,435	33,766	33,667	30,410
Asset accumulation products	2,776	3,359	3,362	4,003	7,129	6,852	8,472	8,376
Other	(1,245)	(1,206)	(1,292)	(979)	(815)	(24)	(1,921)	(2,303)
Total operating income	<u>\$ 27,190</u>	<u>\$ 31,096</u>	<u>\$ 31,605</u>	<u>\$ 35,810</u>	<u>\$ 40,749</u>	<u>\$ 40,594</u>	<u>\$ 40,218</u>	<u>\$ 36,483</u>

* Results for the three months ended September 30, 2001 include World Trade Center losses of \$3.8 million, net of reinsurance coverages.

DELPHI FINANCIAL GROUP, INC.
Consolidated Statements of Income
Group Employee Benefit Products
(Dollars in Thousands)

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/01	09/30/00	09/30/01	09/30/00	12/31/00	12/31/99
Revenue:						
Premium income:						
Core products:						
Disability, principally long-term	\$ 40,991	\$ 37,190	\$120,415	\$107,579	\$145,031	\$126,263
Life	43,355	39,250	127,192	116,029	156,594	146,416
Excess workers' compensation	18,915	14,790	53,301	40,865	56,015	47,948
Travel accident, dental and other	10,972	9,988	32,414	29,967	42,765	36,914
	114,233	101,218	333,322	294,440	400,405	357,541
Non-core products	8,181	15,194	26,260	37,599	47,285	110,381
	122,414	116,412	359,582	332,039	447,690	467,922
Net investment income	20,304	23,826	60,626	77,489	99,924	95,959
	142,718	140,238	420,208	409,528	547,614	563,881
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	84,171	76,034	239,060	221,174	295,321	338,130
Commissions	10,326	10,155	30,676	30,085	41,752	36,635
Amortization of cost of business acquired	7,214	7,109	20,945	18,379	25,307	23,889
Other operating expenses	15,348	12,505	45,390	38,022	50,580	46,982
	117,059	105,803	336,071	307,660	412,960	445,636
Operating income	\$ 25,659	\$ 34,435	\$ 84,137	\$101,868	\$134,654	\$118,245
Production (new annualized gross premium):						
Core products:						
Disability, principally long-term	\$ 12,278	\$ 11,882	\$ 35,810	\$ 36,058	\$ 56,251	\$ 41,245
Life	8,977	8,548	32,320	25,695	38,241	38,421
Excess workers' compensation	7,150	8,671	14,067	16,878	19,313	11,803
Travel accident and dental	6,991	10,036	15,917	20,550	26,694	19,153
	35,396	39,137	98,114	99,181	140,499	110,622
Non-core products	6,990	28,071	27,452	54,283	67,612	65,071
Total production	\$ 42,386	\$ 67,208	\$125,566	\$153,464	\$208,111	\$175,693
Loss ratio (percent of total premium)	68.8%	65.3%	66.5%	66.6%	66.0%	72.3%
Expense ratio (percent of total premium)	26.8%	25.6%	27.0%	26.1%	26.3%	22.9%
Combined ratio (loss and expense ratio)	95.6%	90.9%	93.5%	92.7%	92.3%	95.2%
Persistency ratio:						
Disability, principally long-term					80.7%	79.2%
Life					81.1%	79.1%
Excess workers' compensation					93.3%	85.8%
Travel accident and other					83.3%	89.3%

Note: Results for the three and nine months ended September 30, 2001 include World Trade Center losses of \$3.8 million, net of reinsurance coverages. The loss ratio and combined ratio excluding the World Trade Center losses are 65.7% and 92.5%, respectively, for the third quarter of 2001 and 65.4% and 92.4%, respectively, for the first nine months of 2001.

DELPHI FINANCIAL GROUP, INC.
Consolidated Statements of Income
Asset Accumulation Products
(Dollars in Thousands)

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/01	09/30/00	09/30/01	09/30/00	12/31/00	12/31/99
Revenue:						
Premium and fee income	\$ 766	\$ 593	\$ 1,560	\$ 1,748	\$ 2,551	\$ 2,126
Net investment income	16,838	20,599	52,569	61,328	79,319	79,545
	<u>17,604</u>	<u>21,192</u>	<u>54,129</u>	<u>63,076</u>	<u>81,870</u>	<u>81,671</u>
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	12,208	11,665	36,507	33,320	45,563	38,955
Commissions	(3)	161	318	388	552	680
Amortization of cost of business acquired	1,322	1,108	3,966	3,318	4,419	3,578
Other operating expenses	1,301	1,129	3,841	3,597	4,880	5,268
	<u>14,828</u>	<u>14,063</u>	<u>44,632</u>	<u>40,623</u>	<u>55,414</u>	<u>48,481</u>
Operating income	<u>\$ 2,776</u>	<u>\$ 7,129</u>	<u>\$ 9,497</u>	<u>\$ 22,453</u>	<u>\$ 26,456</u>	<u>\$ 33,190</u>
Sales	\$ 22,665	\$ 40,940	\$ 64,804	\$ 119,622	\$ 160,523	\$ 77,798
Funds under management (at end of period)			\$ 771,284	\$ 711,749	\$ 751,311	\$ 645,555

DELPHI FINANCIAL GROUP, INC.
Consolidated Statements of Income
Total Operations
(Unaudited; In Thousands, Except Per Share Data)

	Three Months Ended		Nine Months Ended	
	09/30/01	09/30/00	09/30/01	09/30/00
Revenue:				
Premium and fee income	\$ 127,068	\$120,961	\$ 372,886	\$345,843
Net investment income	38,397	45,687	116,896	142,899
	165,465	166,648	489,782	488,742
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	96,972	88,225	276,841	255,900
Commissions and expenses	41,303	37,674	123,050	111,281
	138,275	125,899	399,891	367,181
Operating income	27,190	40,749	89,891	121,561
Interest expense:				
Corporate debt	2,539	5,357	9,013	16,096
Dividends on Capital Securities of Delphi Funding L.L.C.	1,072	2,328	4,737	6,983
Income tax expense	7,505	10,418	24,406	30,625
Income before realized investment losses and extraordinary gain	16,074	22,646	51,735	67,857
Realized investment losses, net of taxes	(4,502)	(1,344)	(4,063)	(2,353)
Extraordinary gain, net of taxes	1,233	-	7,446	-
Net income	\$ 12,805	\$ 21,302	\$ 55,118	\$ 65,504
Basic results per share of common stock:				
Income before realized investment losses and extraordinary gain	\$ 0.78	\$ 1.11	\$ 2.52	\$ 3.33
Realized investment losses, net of taxes	(0.22)	(0.06)	(0.20)	(0.11)
Extraordinary gain, net of taxes	0.06	-	0.36	-
Net income	\$ 0.62	\$ 1.05	\$ 2.68	\$ 3.22
Weighted average shares outstanding	20,564	20,358	20,542	20,356
Diluted results per share of common stock:				
Income before realized investment losses and extraordinary gain	\$ 0.76	\$ 1.07	\$ 2.45	\$ 3.23
Realized investment losses, net of taxes	(0.21)	(0.06)	(0.19)	(0.12)
Extraordinary gain, net of taxes	0.06	-	0.35	-
Net income	\$ 0.61	\$ 1.01	\$ 2.61	\$ 3.11
Weighted average shares outstanding	21,149	21,154	21,106	21,039
Dividend paid per share of common stock	\$ 0.07	\$ -	\$ 0.21	\$ -

Note: The results for the three and nine months ended September 30, 2001 include a loss of \$2.5 million, or \$0.12 per share, net of taxes and reinsurance coverages, as a result of the World Trade Center attacks.

DELPHI FINANCIAL GROUP, INC.
Summarized Consolidated Balance Sheets
(Unaudited; In Thousands, Except Per Share Data)

	<u>09/30/01</u>	<u>12/31/00</u>
Assets:		
Invested assets	\$2,406,079	\$2,475,945
Other assets	<u>1,001,319</u>	<u>964,065</u>
Total assets	<u><u>\$3,407,398</u></u>	<u><u>\$3,440,010</u></u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$1,224,845	\$1,170,144
Policyholder account balances	802,949	782,452
Corporate debt	113,696	267,770
Other liabilities	<u>607,782</u>	<u>581,451</u>
Total liabilities	<u>2,749,272</u>	<u>2,801,817</u>
Capital Securities of Delphi Funding L.L.C.	36,050	100,000
Shareholders' equity	<u>622,076</u>	<u>538,193</u>
Total liabilities and shareholders' equity	<u><u>\$3,407,398</u></u>	<u><u>\$3,440,010</u></u>
Diluted book value per share of common stock	\$ 30.23	\$ 26.87
Diluted book value per share of common stock before net unrealized depreciation on investments	\$ 31.11	\$ 29.15

DELPHI FINANCIAL GROUP, INC.
Analysis of Cost of Business Acquired
(Dollars in Thousands)

	Employee Benefit Products	Asset Accumulation Products (A)	Total
Balance as of December 31, 1996	\$ 61,398	\$ 33,196	\$ 94,594
Deferred	27,318	5,409	32,727
Amortized	(22,546)	(5,337)	(27,883)
Equity adjustment	-	(6,507)	(6,507)
Balance as of December 31, 1997	66,170	26,761	92,931
Deferred	32,109	4,258	36,367
Amortized	(23,412)	(2,663)	(26,075)
Equity adjustment	-	1,237	1,237
Balance as of December 31, 1998	74,867	29,593	104,460
Deferred	35,428	6,353	41,781
Amortized	(23,889)	(312)	(24,201)
Equity adjustment	-	22,132	22,132
Balance as of December 31, 1999	86,406	57,766	144,172
Deferred	39,602	12,238	51,840
Amortized	(25,307)	(4,419)	(29,726)
Equity adjustment	-	(9,730)	(9,730)
Balance as of December 31, 2000	100,701	55,855	156,556
Deferred	31,807	5,765	37,572
Amortized	(20,945)	(3,966)	(24,911)
Equity adjustment	-	(7,391)	(7,391)
Balance as of September 30, 2001	<u>\$ 111,563</u>	<u>\$ 50,263</u>	<u>\$ 161,826</u>

(A) Amortization was decelerated by \$3.2 million in 1999 due to realized investment losses. The equity adjustment reflects increases or decreases in cost of business acquired in relation to changes in unrealized gains or losses on fixed maturity securities available for sale which are reported as a separate component of equity.