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**FINANCIAL  
SUPPLEMENT**

**FIRST QUARTER 2002**

**DELPHI FINANCIAL GROUP, INC.**  
**Financial Supplement**  
**First Quarter 2002**

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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](http://www.delphifin.com).

**(Interim results are unaudited)**

	<u>Page</u>
Selected Financial Highlights .....	1
Quarterly Historical Operating Results by Product Category .....	2
Consolidated Statements of Income:	
Group Employee Benefit Products .....	3
Asset Accumulation Products .....	4
Total Operations .....	5
Consolidated Balance Sheets .....	6
Analysis of Cost of Business Acquired .....	7

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

<u>For period ended:</u>	<u>Three Months Ended</u>		<u>Year Ended</u>		
	<u>03/31/02</u>	<u>03/31/01</u>	<u>12/31/01</u>	<u>12/31/00</u>	<u>12/31/99</u>
Operating income (A)	\$ 31,737	\$ 31,605	\$ 81,652	\$ 157,371	\$ 144,995
Income from continuing operations excluding net realized investment gains (losses) (A)	19,508	17,335	44,747	86,438	80,850
Per common share, assuming dilution (A)	0.93	0.82	2.18	4.24	3.73
Weighted average shares outstanding	21,153	21,090	20,565	20,388	21,674
Interest coverage ratio on corporate debt (B)	12.55	8.30	7.04	7.33	7.98
Annualized return on average equity (B)	13.4%	12.5%	8.0%	16.6%	15.1%
<u>At period ended:</u>		<u>03/31/02</u>	<u>12/31/01</u>	<u>12/31/00</u>	<u>12/31/99</u>
Assets		\$ 3,489,590	\$ 3,336,146	\$ 3,440,010	\$ 3,395,688
Corporate debt		120,654	125,675	267,770	283,938
Capital Securities of Delphi Funding L.L.C.		36,050	36,050	100,000	100,000
Shareholders' equity		586,338	581,994	538,193	501,417
Diluted book value per share of common stock		\$ 28.84	\$ 28.50	\$ 26.87	\$ 24.52
Diluted book value per share of common stock (C)		29.95	28.97	29.15	28.96
Debt to total capitalization ratio		16.2%	16.9%	29.6%	32.1%

(A) Results for the year ended December 31, 2001 include a charge, net of taxes and reinsurance coverages, of \$28.8 million, or \$1.40 per share, for reserve strengthening primarily related to an unusually high number of large losses during 2001 in excess workers' compensation products. Included in this charge, on a pre-tax basis, is an addition to excess workers' compensation case reserves of \$9.0 million and losses incurred but not reported of \$24.0 million. This charge also includes pre-tax reported losses of \$6.3 million for the year ended December 31, 2001 and a \$5.0 million pre-tax addition to long-term disability incurred but not reported reserves attributable to the terrorist attacks on the World Trade Center.

(B) Excludes net realized investment gains (losses), discontinued operations and extraordinary gain. The interest coverage ratio and the return on average equity for 2001 excluding losses related to the reserve strengthening are 10.85x and 13.1%, respectively.

(C) Before net unrealized depreciation on investments.

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

	<u>03/31/02</u>	<u>12/31/01</u>	<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>
Premium and fee income:								
Employee benefit products	\$ 152,358	\$ 128,412	\$ 122,414	\$ 118,182	\$ 118,986	\$ 115,651	\$ 116,412	\$ 107,215
Asset accumulation products	477	1,528	766	458	336	803	593	710
Other	3,992	4,378	3,888	3,873	3,983	4,060	3,956	4,198
Total premium and fee income	<u>156,827</u>	<u>134,318</u>	<u>127,068</u>	<u>122,513</u>	<u>123,305</u>	<u>120,514</u>	<u>120,961</u>	<u>112,123</u>
Net investment income:								
Employee benefit products	22,681	22,232	20,304	20,325	19,997	22,435	23,826	25,255
Asset accumulation products	17,129	17,089	16,838	17,847	17,884	17,991	20,599	20,031
Other	1,254	1,292	1,255	1,261	1,185	1,251	1,262	1,250
Total investment income	<u>41,064</u>	<u>40,613</u>	<u>38,397</u>	<u>39,433</u>	<u>39,066</u>	<u>41,677</u>	<u>45,687</u>	<u>46,536</u>
Benefits and expenses:								
Employee benefit products	144,686	161,820 *	117,059 *	109,564	109,448	105,300	105,803	98,704
Asset accumulation products	14,613	14,680	14,828	14,946	14,858	14,791	14,063	13,889
Other	6,855	6,670	6,388	6,340	6,460	6,290	6,033	5,472
Total benefits and expenses	<u>166,154</u>	<u>183,170</u>	<u>138,275</u>	<u>130,850</u>	<u>130,766</u>	<u>126,381</u>	<u>125,899</u>	<u>118,065</u>
Operating income (loss):								
Employee benefit products	30,353	(11,176) *	25,659 *	28,943	29,535	32,786	34,435	33,766
Asset accumulation products	2,993	3,937	2,776	3,359	3,362	4,003	7,129	6,852
Other	(1,609)	(1,000)	(1,245)	(1,206)	(1,292)	(979)	(815)	(24)
Total operating income (loss)	<u>\$ 31,737</u>	<u>\$ (8,239)</u>	<u>\$ 27,190</u>	<u>\$ 31,096</u>	<u>\$ 31,605</u>	<u>\$ 35,810</u>	<u>\$ 40,749</u>	<u>\$ 40,594</u>

\* Results for the three months ended December 31, 2001 and September 30, 2001 include a charge of \$40.5 million and \$3.8 million, respectively, for reserve strengthening. See page 1, footnote A for additional details regarding the reserve strengthening.

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

	Three Months Ended		Year Ended		
	03/31/02	03/31/01	12/31/01	12/31/00	12/31/99
Revenue:					
Premium income:					
Core products:					
Disability, principally long-term	\$ 45,939	\$ 39,056	\$162,602	\$145,031	\$126,263
Life	48,405	41,513	170,772	156,594	146,416
Excess workers' compensation	22,865	18,344	73,404	56,015	47,948
Travel accident, dental and other	11,959	10,789	45,380	42,765	36,914
	<u>129,168</u>	<u>109,702</u>	<u>452,158</u>	<u>400,405</u>	<u>357,541</u>
Non-core products	23,190	9,284	35,836	47,285	110,381
	<u>152,358</u>	<u>118,986</u>	<u>487,994</u>	<u>447,690</u>	<u>467,922</u>
Net investment income	22,681	19,997	82,858	99,924	95,959
	<u>175,039</u>	<u>138,983</u>	<u>570,852</u>	<u>547,614</u>	<u>563,881</u>
Benefits and expenses:					
Benefits, claims and interest credited to policyholders	107,760	77,095	365,811	295,321	338,130
Commissions	10,383	9,664	40,927	41,752	36,635
Amortization of cost of business acquired	9,215	7,296	30,415	25,307	23,889
Other operating expenses	17,328	15,393	60,738	50,580	46,982
	<u>144,686</u>	<u>109,448</u>	<u>497,891</u>	<u>412,960</u>	<u>445,636</u>
Operating income	<u>\$ 30,353</u>	<u>\$ 29,535</u>	<u>\$ 72,961</u>	<u>\$134,654</u>	<u>\$118,245</u>
Production (new annualized gross premium):					
Core products:					
Disability, principally long-term	\$ 24,583	\$ 11,009	\$ 60,628	\$ 56,251	\$ 41,245
Life	20,264	13,009	55,606	38,241	38,421
Excess workers' compensation	10,292	4,209	18,815	19,835	11,803
Travel accident and dental	8,317	4,353	24,774	26,694	19,153
	<u>63,456</u>	<u>32,580</u>	<u>159,823</u>	<u>141,021</u>	<u>110,622</u>
Non-core products	22,969	13,977	32,117	66,532	65,071
Total production	<u>\$ 86,425</u>	<u>\$ 46,557</u>	<u>\$191,940</u>	<u>\$207,553</u>	<u>\$175,693</u>
Loss ratio (percent of total premium)	70.7%	64.8%	75.0%	66.0%	72.3%
Expense ratio (percent of total premium)	24.3%	27.2%	27.0%	26.3%	22.9%
Combined ratio (loss and expense ratio)	95.0%	92.0%	102.0%	92.3%	95.2%
Persistency ratio:					
Disability, principally long-term			80.3%	80.7%	79.2%
Life			81.3%	81.1%	79.1%
Excess workers' compensation			97.1%	93.3%	85.8%
Travel accident and other			83.0%	83.3%	89.3%

Note: Results for the year ended December 31, 2001 include a charge, net of reinsurance coverages, of \$44.3 million for reserve strengthening. See page 1, footnote A for additional details regarding the reserve strengthening. The loss ratio and combined ratio excluding the charge for reserve strengthening are 65.9% and 92.9%, respectively, for the year ended December 31, 2001.

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

	Three Months Ended		Year Ended		
	<u>03/31/02</u>	<u>03/31/01</u>	<u>12/31/01</u>	<u>12/31/00</u>	<u>12/31/99</u>
Revenue:					
Premium and fee income	\$ 477	\$ 336	\$ 3,088	\$ 2,551	\$ 2,126
Net investment income	<u>17,129</u>	<u>17,884</u>	<u>69,658</u>	<u>79,319</u>	<u>79,545</u>
	<u>17,606</u>	<u>18,220</u>	<u>72,746</u>	<u>81,870</u>	<u>81,671</u>
Benefits and expenses:					
Benefits, claims and interest credited to policyholders	11,733	12,231	49,455	45,563	38,955
Commissions	114	138	487	552	680
Amortization of cost of business acquired	1,234	1,320	4,285	4,419	3,578
Other operating expenses	<u>1,532</u>	<u>1,169</u>	<u>5,085</u>	<u>4,880</u>	<u>5,268</u>
	<u>14,613</u>	<u>14,858</u>	<u>59,312</u>	<u>55,414</u>	<u>48,481</u>
Operating income	<u>\$ 2,993</u>	<u>\$ 3,362</u>	<u>\$ 13,434</u>	<u>\$ 26,456</u>	<u>\$ 33,190</u>
Sales	\$ 15,157	\$ 28,731	\$ 90,159	\$ 160,523	\$ 77,798
Funds under management (at end of period)	\$ 789,942	\$ 763,408	\$ 786,214	\$ 751,311	\$ 645,555

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

	Three Months Ended	
	03/31/02	03/31/01
Revenue:		
Premium and fee income	\$ 156,827	\$ 123,305
Net investment income	41,064	39,066
	197,891	162,371
Benefits and expenses:		
Benefits, claims and interest credited to policyholders	120,533	89,699
Commissions and expenses	45,621	41,067
	166,154	130,766
Operating income	31,737	31,605
Interest expense:		
Corporate debt	2,528	3,809
Dividends on Capital Securities of Delphi Funding L.L.C.	839	2,277
Income tax expense	8,862	8,184
Income before realized investment gains and extraordinary gain	19,508	17,335
Realized investment gains, net of taxes	62	293
Extraordinary gain, net of taxes	-	3,017
Net income	\$ 19,570	\$ 20,645
Basic results per share of common stock:		
Income before realized investment gains and extraordinary gain	\$ 0.95	\$ 0.84
Realized investment gains, net of taxes	-	0.01
Extraordinary gain, net of taxes	-	0.16
Net income	\$ 0.95	\$ 1.01
Weighted average shares outstanding	20,688	20,528
Diluted results per share of common stock:		
Income before realized investment gains and extraordinary gain	\$ 0.93	\$ 0.82
Realized investment gains, net of taxes	-	0.01
Extraordinary gain, net of taxes	-	0.15
Net income	\$ 0.93	\$ 0.98
Weighted average shares outstanding	21,153	21,090
Dividend paid per share of common stock	\$ 0.07	\$ 0.07

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

	<u>03/31/02</u>	<u>12/31/01</u>
Assets:		
Invested assets	\$2,549,587	\$2,427,214
Other assets	<u>940,003</u>	<u>908,932</u>
Total assets	<u>\$3,489,590</u>	<u>\$3,336,146</u>
Liabilities and Shareholders' Equity		
Policy liabilities and accruals	\$1,318,237	\$1,279,652
Policyholder account balances	821,271	817,543
Corporate debt	120,654	125,675
Other liabilities	<u>607,040</u>	<u>495,232</u>
Total liabilities	2,867,202	2,718,102
Capital Securities of Delphi Funding L.L.C	36,050	36,050
Shareholders' equity	<u>586,338</u>	<u>581,994</u>
Total liabilities and shareholders' equity	<u>\$3,489,590</u>	<u>\$3,336,146</u>
Diluted book value per share of common stock	\$ 28.84	\$ 28.50
Diluted book value per share of common stock before net unrealized depreciation on investments	\$ 29.95	\$ 28.97

**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, 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	<u>74,867</u>	<u>29,593</u>	<u>104,460</u>
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	<u>86,406</u>	<u>57,766</u>	<u>144,172</u>
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	<u>100,701</u>	<u>55,855</u>	<u>156,556</u>
Deferred	43,268	7,828	51,096
Amortized	(30,415)	(4,285)	(34,700)
Equity adjustment	-	(4,058)	(4,058)
Balance as of December 31, 2001	<u>113,554</u>	<u>55,340</u>	<u>168,894</u>
Deferred	18,964	1,232	20,196
Amortized	(9,215)	(1,234)	(10,449)
Equity adjustment	-	(2,318)	(2,318)
Balance as of March 31, 2002	<u>\$ 123,303</u>	<u>\$ 53,020</u>	<u>\$ 176,323</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.