

# Press Release

Contact: Bernard J. Kilkelly  
Vice President, Investor Relations  
Phone: 212-303-4349  
E-mail: bernie-kilkelly@dlfi.com

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## **Delphi Financial Announces Third Quarter 2002 Operating EPS of \$.93**

Wilmington, Delaware – October 22, 2002 -- Delphi Financial Group, Inc. (NYSE: DFG) today announced operating earnings<sup>(1)</sup> for third quarter 2002 of \$19.8 million, or \$0.93 per share, compared with operating earnings<sup>(1)</sup> of \$16.1 million, or \$0.76 per share, for third quarter 2001. Operating earnings<sup>(1)</sup> for the first nine months of 2002 were \$58.9 million, or \$2.77 per share, compared with operating earnings<sup>(1)</sup> of \$51.7 million, or \$2.45 per share, for the first nine months of 2001. Operating earnings<sup>(1)</sup> for the third quarter and first nine months of 2001 included after tax losses related to the World Trade Center attacks of \$2.5 million, or \$0.12 per share.

Core group employee benefit premiums in third quarter 2002 increased 24% from the third quarter a year ago and new core premium production increased 24%. Delphi continued to benefit from dramatic market strengthening in Safety National's excess workers' compensation business: price increases exceeded 20% and key contract terms were improved. Delphi's premium growth was also driven by increased production at Reliance Standard Life (RSL), resulting from ongoing strength in its small case niche, expansion of its sales force and a strong contribution from the Integrated Employee Benefits program. The group employee benefit combined ratio was 95.1% in third quarter 2002, compared to 95.6% in the third quarter 2001. The group employee benefit combined ratio was 94.7% in the first nine months of 2002, compared to 93.5% in the first nine months of 2001.

Key financial ratios at the end of third quarter 2002 were exceptionally strong: debt to total capital was 13% and operating earnings excluding realized investment losses covered interest expense on corporate debt 14.8 times. Both ratios represent significant improvement since year-end 2001, and mark the continuation of a multi-year trend toward enhanced financial strength.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "Delphi's excellent results in the third quarter demonstrate the underlying strength of our insurance businesses and our ability to capitalize on very positive market trends. We believe the market strengthening in excess workers' compensation will continue in 2003 and very likely beyond, based on the outlook for a multi-year hard market cycle in the primary workers' compensation market. RSL is planning to expand its sales force by 10% in 2003 to take advantage of continued growth in our niche focused on companies with 50 to 500 employees. We also expect growing demand from large companies for our Integrated Employee Benefits program." Mr. Rosenkranz continued, "Based on these positive trends, we continue to be very confident in our outlook for earnings growth in 2003 and beyond."

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Net investment income in third quarter 2002 was \$40.6 million compared with \$38.4 million in third quarter 2001, reflecting higher investment balances offset by a lower portfolio yield. The Company had net realized investment losses of \$10.8 million in third quarter 2002 and \$10.5 million in the first nine months of 2002. Net unrealized investment gains on Delphi's balance sheet at September 30, 2002 were \$46 million, compared with net unrealized losses of \$11 million at December 31, 2001. Book value per share at September 30, 2002 increased to \$32.91 from \$30.77 at June 30, 2002 and \$28.50 at December 31, 2001.

On October 23, 2002 at 11:00 AM (Eastern Time), Delphi will broadcast the Company's third quarter 2002 earnings teleconference live on the Internet, hosted by Robert Rosenkranz, Chairman and Chief Executive Officer. Investors can access the broadcast at [www.delphifin.com](http://www.delphifin.com) by clicking on the "live webcast" icon on the home page. 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 on Delphi's website for one week beginning at approximately 1:00 PM (Eastern Time) on October 23, 2002.

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 "expect," "believe," "anticipate," "intend," "plan" or other similar expressions. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic, competitive and other 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, federal and state legislative and regulatory developments, including but not limited to changes in financial services and tax laws and regulations, market pricing and competitive trends relating to insurance products and services, acts of terrorism or war, and the availability and cost of reinsurance, 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 and changes in Delphi's investment strategy, 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. Certain of these uncertainties and contingencies are described in further detail in Delphi's report on Form 10-Q for the quarter ended June 30, 2002. Delphi disclaims any obligation to update forward-looking information.

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).

- (1) Operating earnings are comprised of income from operations adjusted to exclude after-tax realized investment gains or losses. All per share amounts are on a diluted basis.

-tables attached-

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>09/30/02</u>	<u>09/30/01</u>	<u>09/30/02</u>	<u>09/30/01</u>
Revenue:				
Premium and fee income .....	\$ 152,780	\$ 127,068	\$ 465,955	\$ 372,886
Net investment income .....	40,627	38,397	120,796	116,896
Net realized investment losses .....	<u>(10,825)</u>	<u>(6,926)</u>	<u>(10,512)</u>	<u>(6,250)</u>
	<u>182,582</u>	<u>158,539</u>	<u>576,239</u>	<u>483,532</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders .....	115,450	96,972	352,586	276,841
Commissions and expenses .....	<u>46,601</u>	<u>41,303</u>	<u>139,504</u>	<u>123,050</u>
	<u>162,051</u>	<u>138,275</u>	<u>492,090</u>	<u>399,891</u>
Operating income .....	20,531	20,264	84,149	83,641
Interest expense:				
Corporate debt .....	2,115	2,539	6,873	9,013
Dividends on Capital Securities of Delphi Funding L.L.C. ....	839	1,072	2,517	4,737
Income tax expense .....	<u>4,784</u>	<u>5,081</u>	<u>22,664</u>	<u>22,219</u>
Income before extraordinary gain (loss) .....	12,793	11,572	52,095	47,672
Extraordinary gain (loss), net of taxes .....	<u>-</u>	<u>1,233</u>	<u>(216)</u>	<u>7,446</u>
Net income .....	<u>\$ 12,793</u>	<u>\$ 12,805</u>	<u>\$ 51,879</u>	<u>\$ 55,118</u>
Basic results per share of common stock:				
Income before net realized investment losses and extraordinary gain (loss) .....	\$ 0.95	\$ 0.78	\$ 2.84	\$ 2.52
Net realized investment losses, net of taxes .....	<u>(0.33)</u>	<u>(0.22)</u>	<u>(0.33)</u>	<u>(0.20)</u>
Income before extraordinary gain (loss) .....	0.62	0.56	2.51	2.32
Extraordinary gain (loss), net of taxes .....	<u>-</u>	<u>0.06</u>	<u>(0.01)</u>	<u>0.36</u>
Net income .....	<u>\$ 0.62</u>	<u>\$ 0.62</u>	<u>\$ 2.50</u>	<u>\$ 2.68</u>
Weighted average shares outstanding .....	20,767	20,564	20,728	20,542
Diluted results per share of common stock:				
Income before net realized investment losses and extraordinary gain (loss) .....	\$ 0.93	\$ 0.76	\$ 2.77	\$ 2.45
Net realized investment losses, net of taxes .....	<u>(0.33)</u>	<u>(0.21)</u>	<u>(0.32)</u>	<u>(0.19)</u>
Income before extraordinary gain (loss) .....	0.60	0.55	2.45	2.26
Extraordinary gain (loss), net of taxes .....	<u>-</u>	<u>0.06</u>	<u>(0.01)</u>	<u>0.35</u>
Net income .....	<u>\$ 0.60</u>	<u>\$ 0.61</u>	<u>\$ 2.44</u>	<u>\$ 2.61</u>
Weighted average shares outstanding .....	21,279	21,149	21,251	21,106
Dividend paid per share of common stock .....	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.21

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

	<u>09/30/02</u>	<u>12/31/01</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale .....	\$ 2,499,428	\$ 2,223,789
Short-term investments .....	154,930	92,862
Other investments .....	<u>127,961</u>	<u>110,563</u>
	2,782,319	2,427,214
Cash .....	33,881	11,682
Cost of business acquired .....	170,478	168,894
Reinsurance receivables .....	394,570	388,910
Goodwill .....	93,929	93,929
Other assets .....	190,360	171,834
Assets held in separate account .....	<u>70,398</u>	<u>73,683</u>
Total assets .....	<u>\$ 3,735,935</u>	<u>\$ 3,336,146</u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals .....	\$ 1,363,173	\$ 1,279,652
Policyholder account balances .....	867,281	817,543
Corporate debt .....	111,145	125,675
Other liabilities and policyholder funds .....	611,883	431,871
Liabilities related to separate account .....	<u>60,617</u>	<u>63,361</u>
Total liabilities .....	3,014,099	2,718,102
Capital Securities of Delphi Funding L.L.C. ....	36,050	36,050
Shareholders' equity .....	<u>685,786</u>	<u>581,994</u>
Total liabilities and shareholders' equity .....	<u>\$ 3,735,935</u>	<u>\$ 3,336,146</u>
Diluted book value per share of common stock .....	\$ 32.91	\$ 28.50
Diluted book value per share of common stock before accumulated other comprehensive income .....	\$ 31.12	\$ 28.97