

DELPHI

Financial Group, Inc.

(NYSE:DFG)

RELIANCE STANDARD
Life Insurance Company

SAFETY NATIONAL
Casualty Corporation

MATRIX
Absence Management, Inc.

An Integrated Employee Benefit Services Company

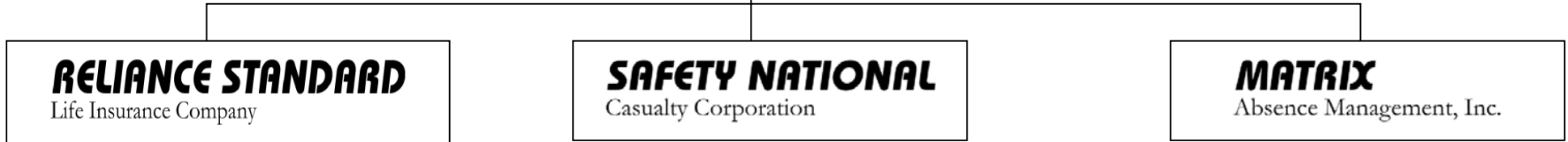
AIFA Annual Conference
March 1, 2010

Donald Sherman
President and COO

Delphi Financial Group, Inc.

- **Integrated employee benefits services company**
- **Core franchise in group employee benefits insurance**
- **Focus on profitable niche market segments**
- **Significant asset accumulation business**

Execution Through Top-Tier Companies



- Long-term and short-term disability insurance
- Group life insurance
- Travel accident insurance
- Dental insurance
- Limited benefit health insurance
- Asset accumulation
 - Individual fixed annuities
 - Institutional funding agreements

- Excess workers' compensation insurance for self-insured employers
- Large casualty programs including large deductible workers' compensation insurance
- Assumed workers' compensation and casualty reinsurance

- Absence Management services
- RelianceONE™ - Integrated Employee Benefits program with health and productivity management (HPM) services



Key Points

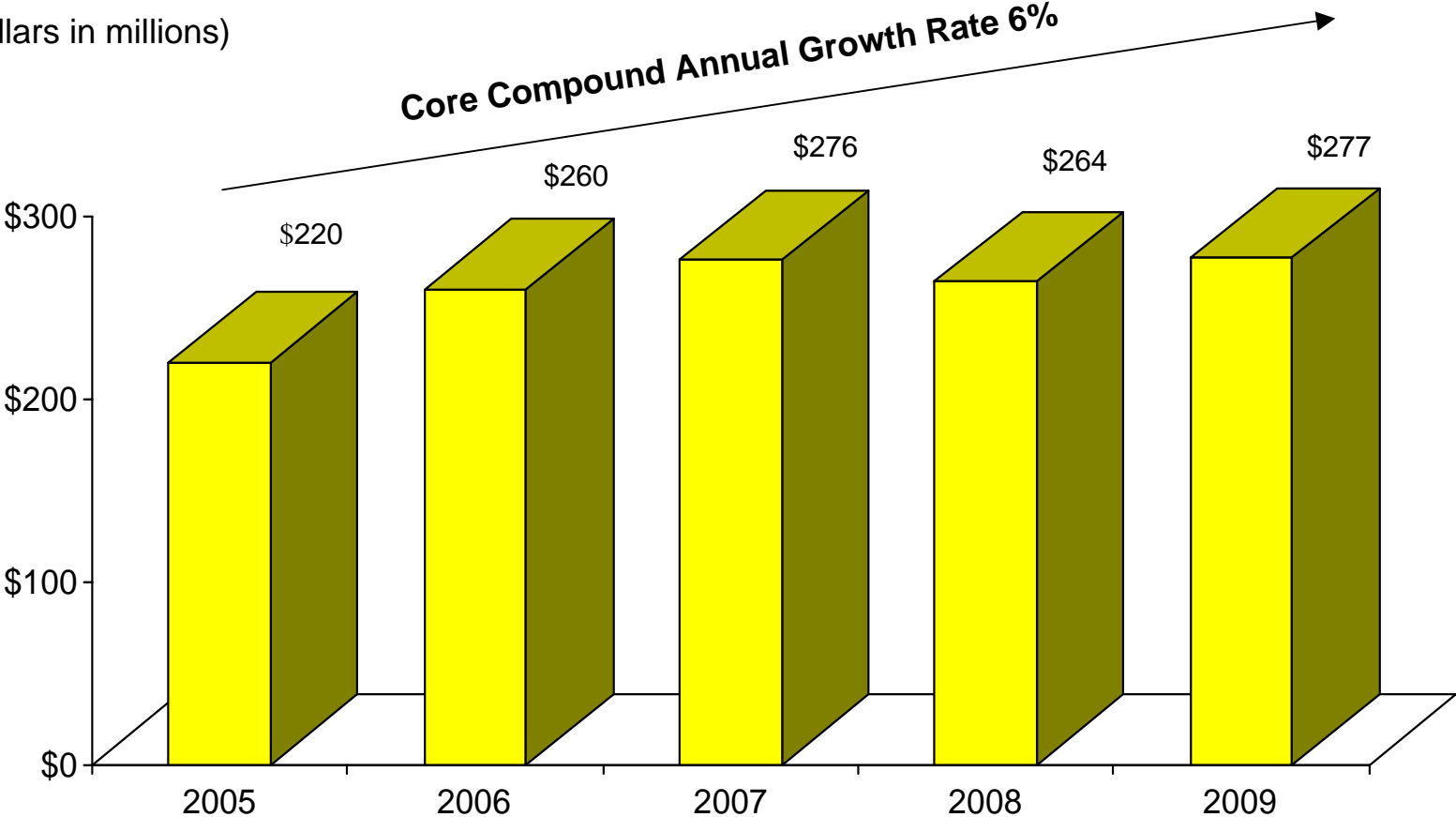
- **Positive outlook, high visibility for insurance operations**
- **Disciplined focus on underwriting margins**
- **Favorable market for excess workers' compensation at Safety National**
- **Solid underwriting profits at Reliance Standard**
- **Strategic emphasis on small case market**
- **Improved investment income from portfolio repositioning**
- **Strong liquidity position and stable capital structure**

Favorable Market in Excess Workers' Comp

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	Cumulative since 2001
Rate decrease/increase	26%	15%	9%	0%	1%	0%	-4%	0%	52%
Self-insured retentions	10%	13%	8%	8%	6%	1%	2%	2%	60%

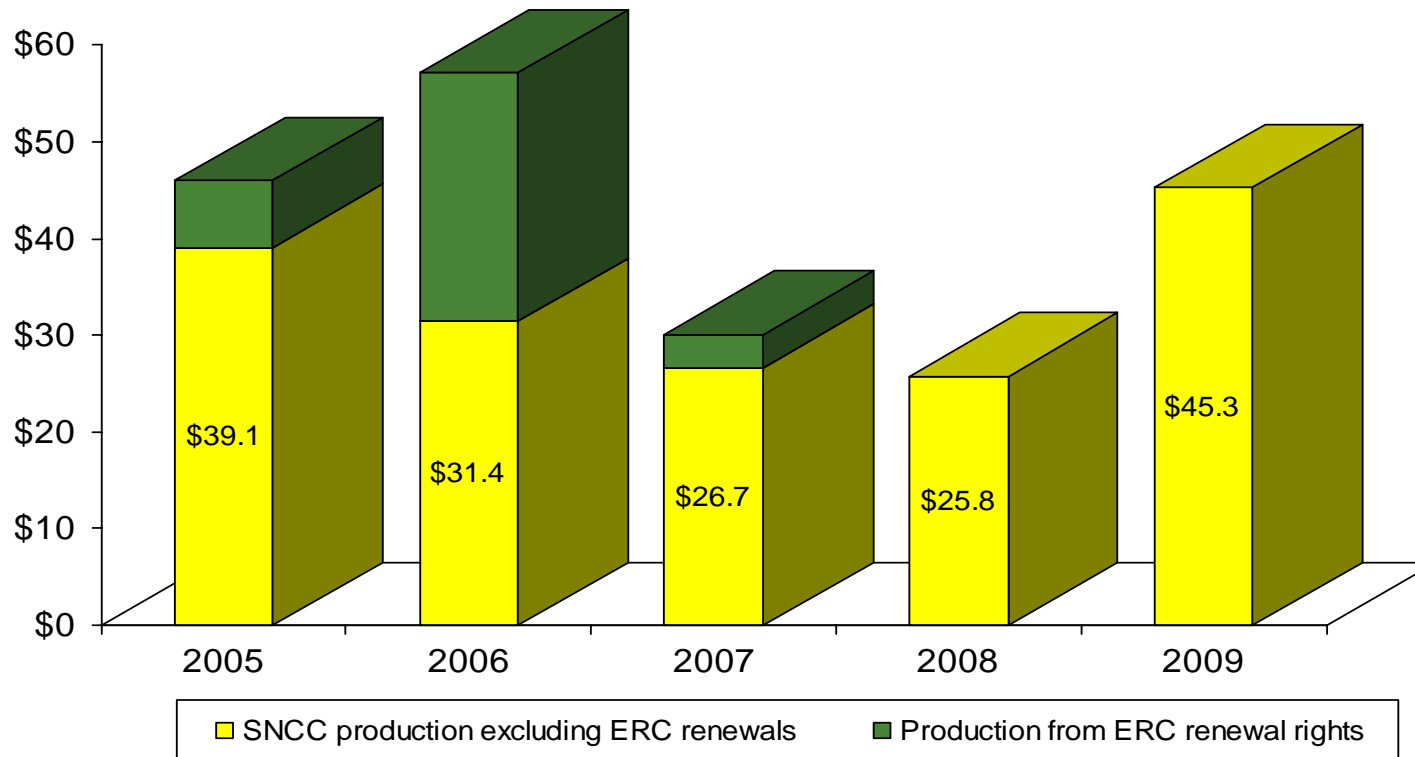
Robust Excess Workers' Comp Premiums

(Dollars in millions)



Strong Excess Workers' Comp Production

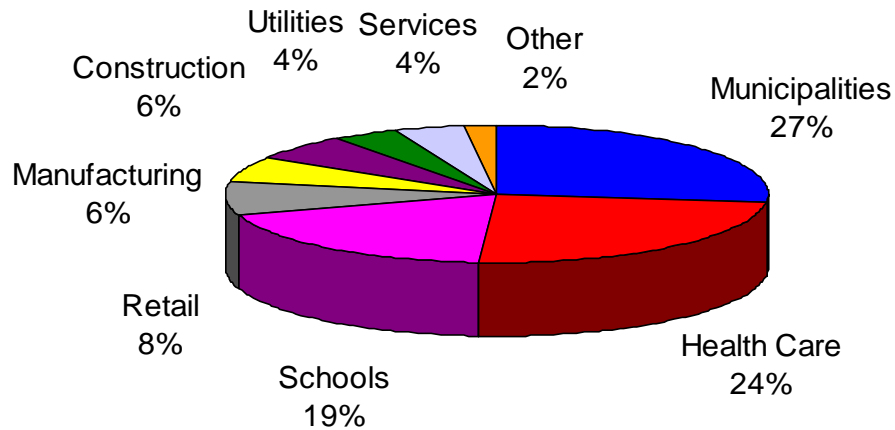
(Dollars in millions)



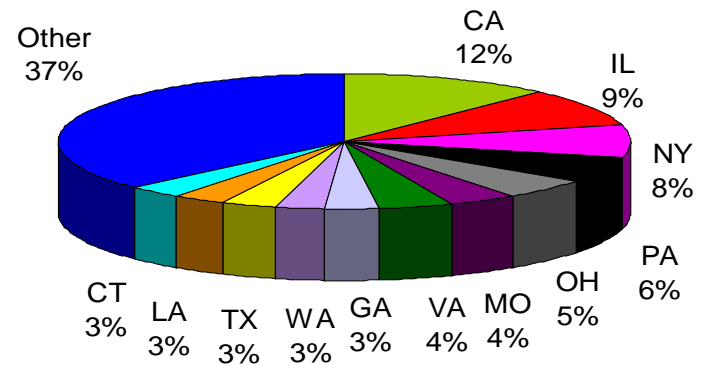
Attractive Book of Business

Excess Workers' Compensation Premiums at 12/31/09

By Industry



By State



Attractive Business Model in Excess Workers' Comp

- **Safety National is market leader**
- **Competitive environment improved since 2000**
 - High barriers to entry
 - Safety National purchased ERC renewal rights in July 2005
- **Long-tail reserves (15+ year avg. duration) means large investable float**
- **Confidence in reserves**
 - Predictable claim payments
 - 60+ years of experience
 - Stable book of business with high persistency

Growth Initiatives at Safety National

- **Assumed workers' compensation and casualty reinsurance**
 - \$34 million of core premiums in 2009 vs. \$22 million in 2008
 - Participating in excess of loss treaties for regional workers' compensation carriers
- **Large casualty program including large deductible workers' comp**
 - Significantly larger market for packaged product with auto liability/general liability
 - Conservative policy design and limits
- **Loss portfolio transfers**
 - Product manager hired in 2008 to focus on LPT opportunities
 - \$40 million in deposits in 2009 vs. \$3 million in earned premiums in 2008

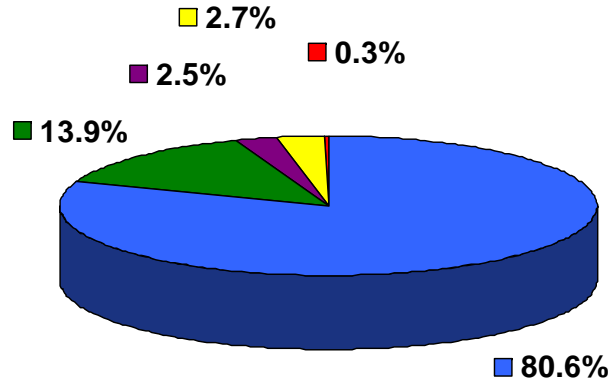
Reliance Standard Life: Top Tier Carrier in Small Case Niche

- **Maintaining Strong Market Presence**
 - #8 nationwide in 2008 new sales of Group LTD*
 - #10 in 2008 new sales of Group Life*
- **RSL sales management has:**
 - Invested in enhanced technology and training
 - Focused on smaller, more profitable cases
- **Higher margins in under-500 employee segment**
 - Smaller brokers - relationship driven
 - Less price sensitive
 - More conservative plan designs

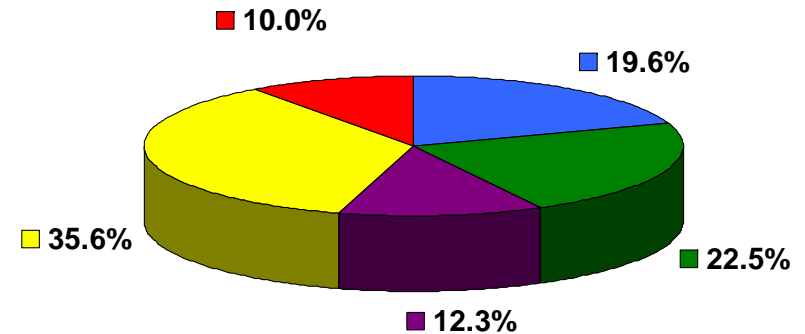
Concentration in Small Case Niche

RSL Case Size Breakdown at 12/31/09

Number of Policies



Premium Dollars

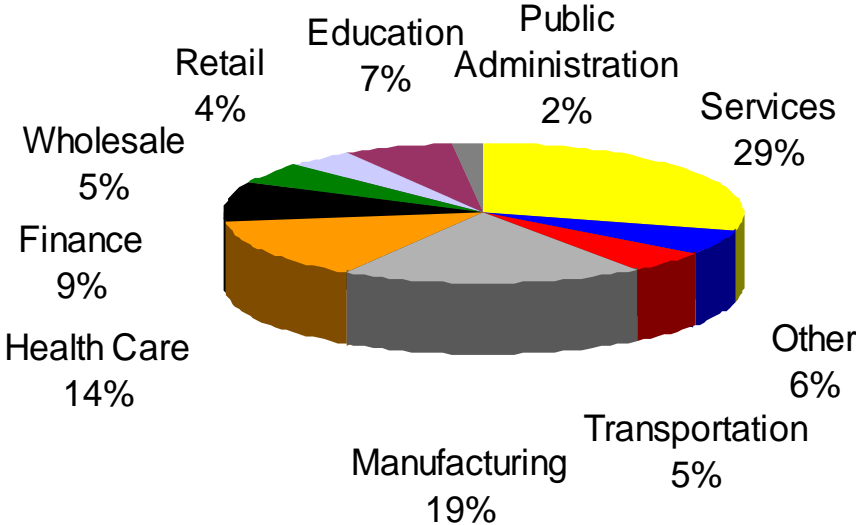


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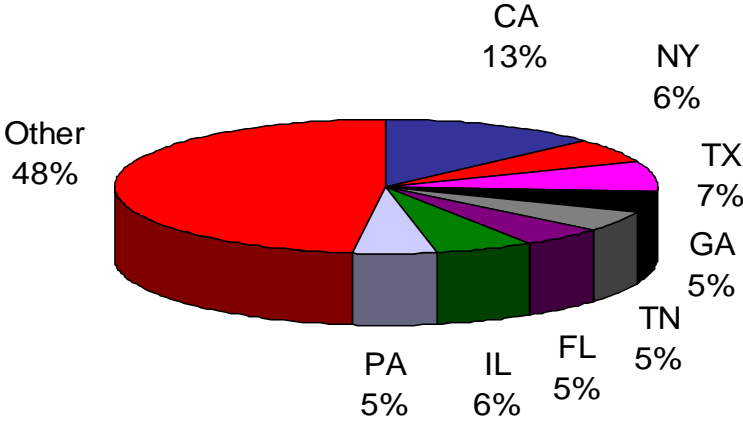
Diverse Spread of Risk

RSL Core Group Employee Benefits Premiums at 12/31/09

By Industry



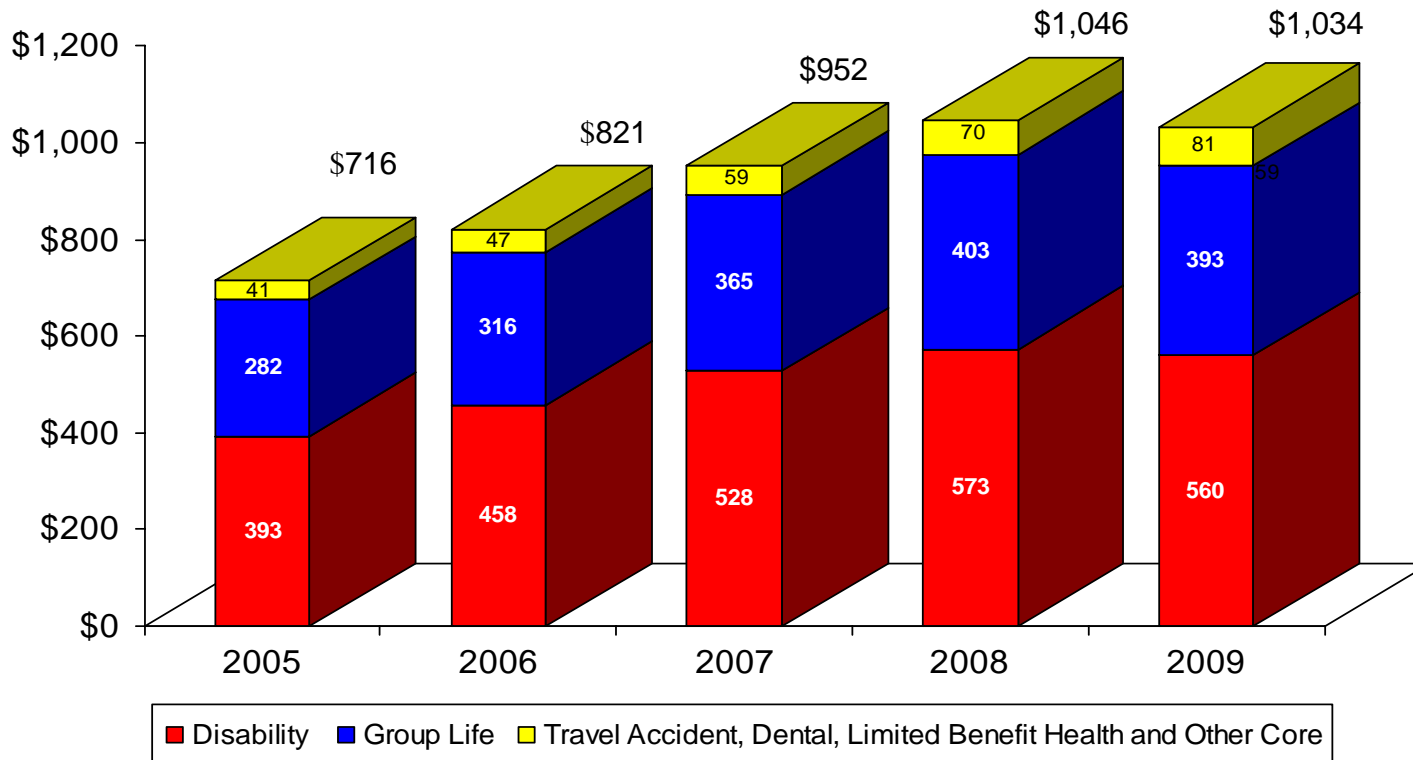
By State



Strong Historic Premium Growth

RSL Core Group Employee Benefits Premiums

(Dollars in millions)



Growth Drivers at Reliance Standard

- **Increasing contribution from voluntary products**
- **Effective alternative distribution**
- **Differentiated approach to larger cases**

Increasing Contribution from Voluntary Products

- **20% of RSL's core production and 14% of core premiums in 2009**
 - Helps employers control costs while still expanding benefits
 - RSL offers attractive suite of employee-paid group life, disability, dental, accident and limited benefit health (BasicCare) coverages
- **RSL BasicCare - limited benefit health coverage**
 - Introduced in 2005 with separate sales force calling on group benefits brokers
 - RSL BasicCare premium was \$32 million in 2009 vs. \$25 million in 2008
 - Targets hourly, part-time employees in retail, hotel and restaurant industries
 - Estimated 27 million employed Americans are uninsured

Effective Alternative Distribution

- **Custom Disability Solutions division of RSL**
 - Turnkey disability business partnering with health insurers
 - Primarily targeting < 300-life employers
 - Established in April 2006 through purchase of IDR's Portland, Maine operations
 - RSL installed new CEO and management team
 - \$54 million of premiums in 2009, up 7% from 2008

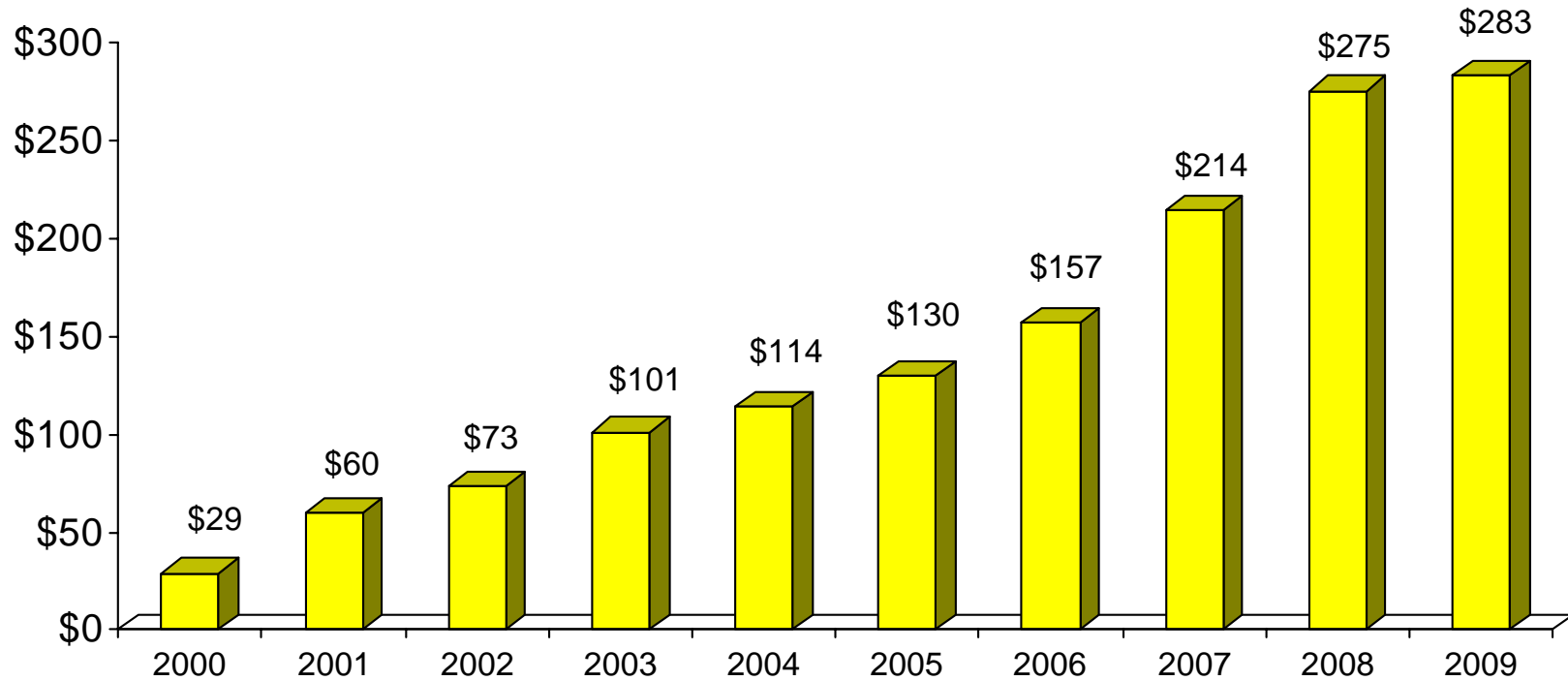
Differentiated Approach to Larger Cases

- **Integrated Employee Benefits program**
 - Unique Delphi competence pairs Matrix Absence Management service platform with RSL and/or SNCC insurance coverage
 - Improves productivity through return-to-work focus
- **New RelianceONE™ program rolling out in 2010**
 - Integrates IEB program with health and productivity management (HPM) services
 - Offered in partnership with AllOne Health, a leader in wellness, disease management and employee assistance programs

Growth in Integrated Employee Benefits Program

Total Revenues from IEB Clients
(Premium and Fees)

(Dollars in millions)

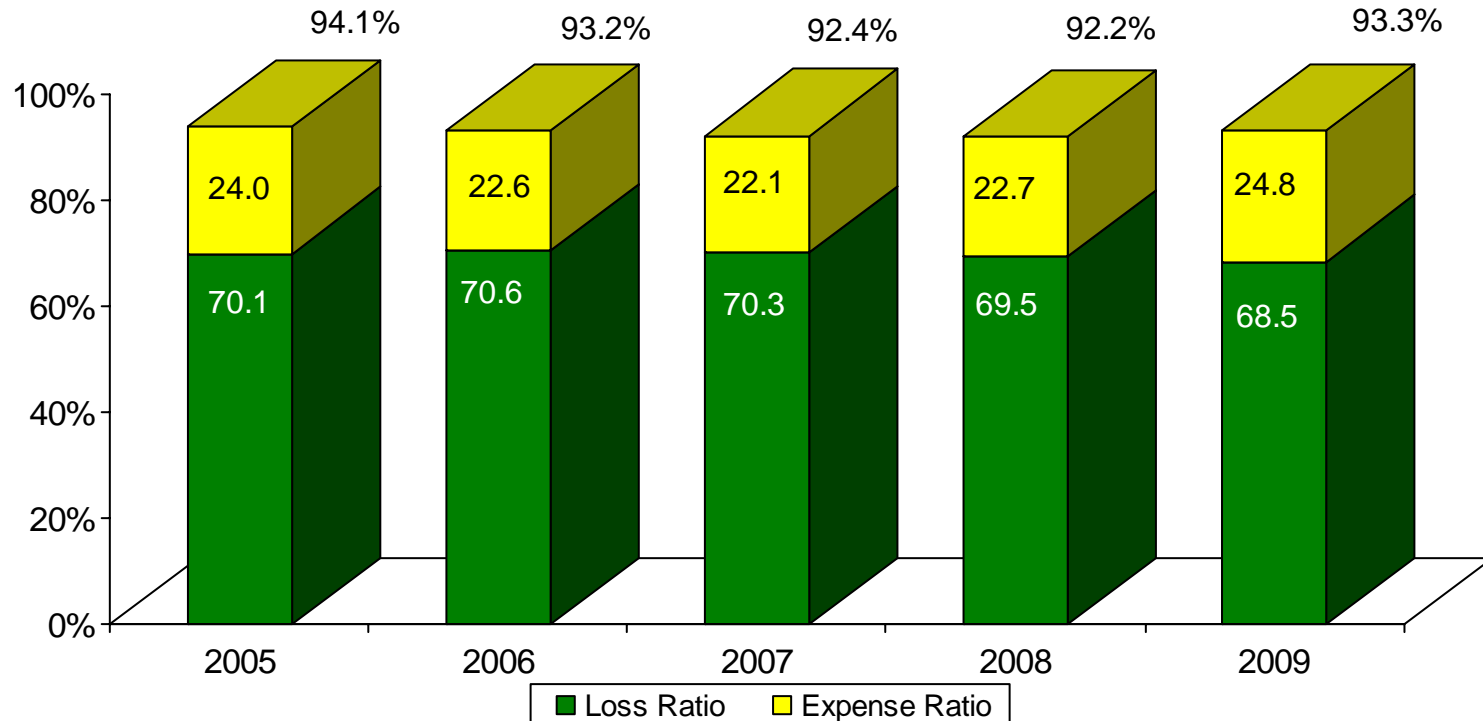


Impact of Economy

- **Not experiencing any spike in claims incidence or severity despite weaker economy**
 - LTD incidence rates consistent with prior years and below the levels assumed in our pricing
 - LTD claim termination rates consistent with prior years and above the levels assumed in our GAAP reserves
 - Claims transaction counts, frequency and severity consistent with prior years at Safety National
- **Our analysis shows no correlation between our group insurance loss ratios or earned premiums and GDP growth, ADP payroll data or U.S. unemployment rate**

Focus on Underwriting Profitability

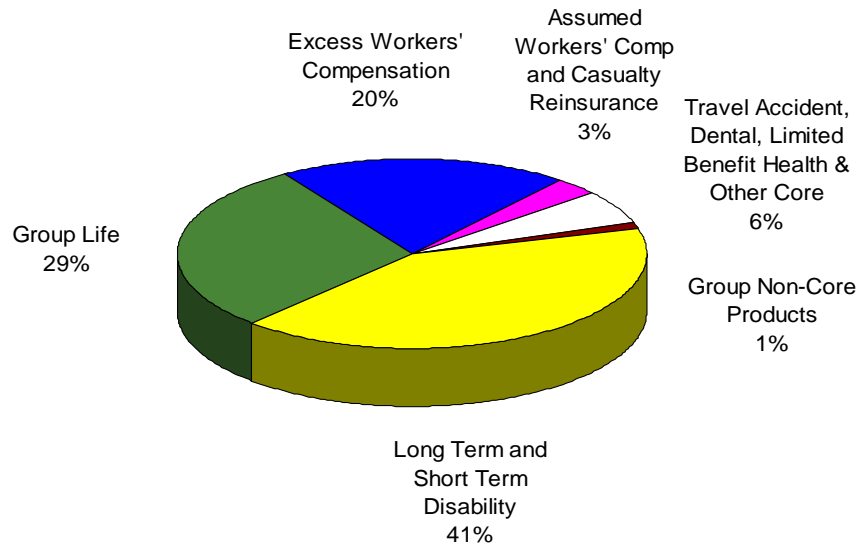
GAAP Combined Ratio



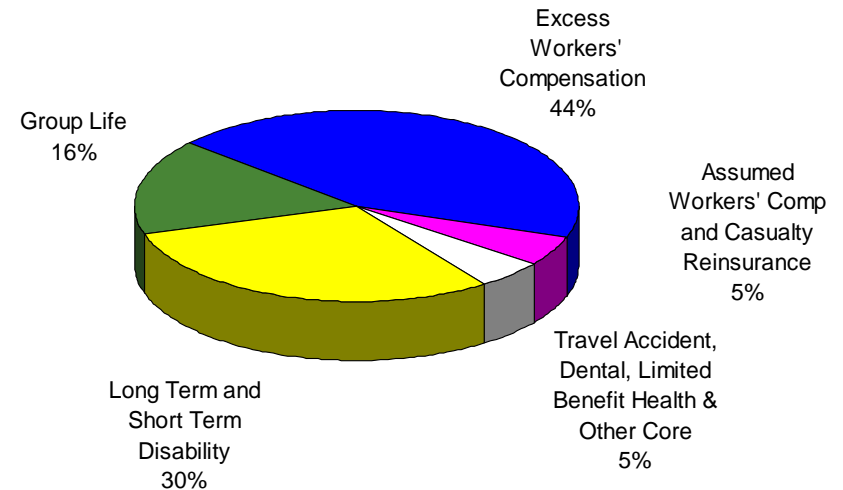
Profitable Mix of Business

Group Employee Benefits Segment Year Ended 12/31/09

Premiums \$1,354.7 million



Operating Income \$279.8 million



Significant Asset Accumulation Business

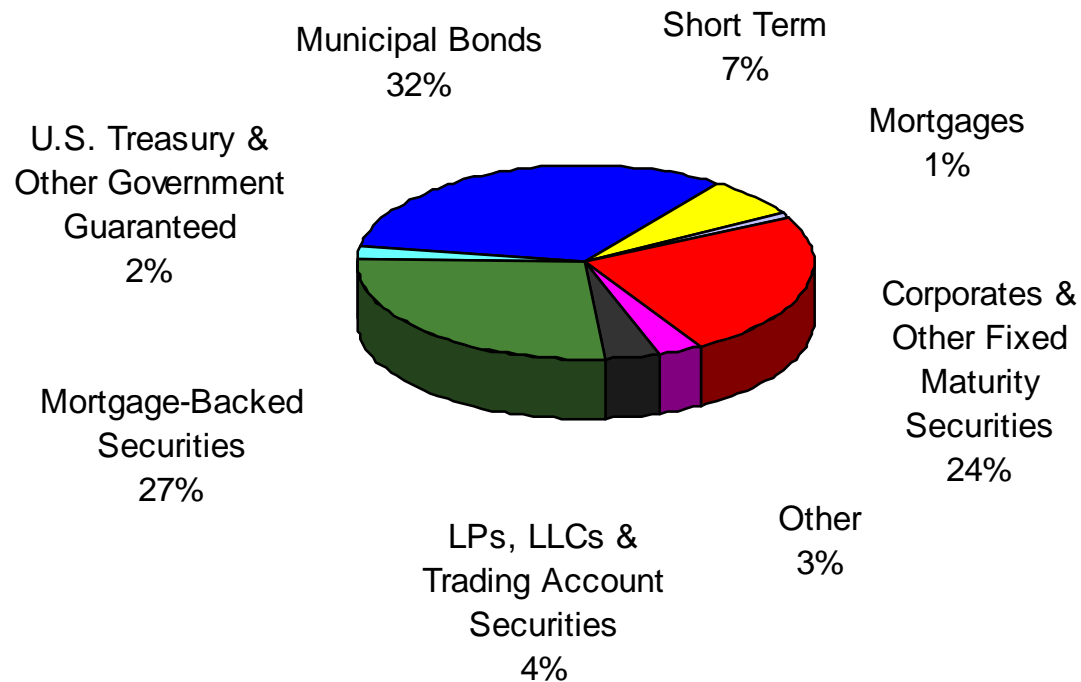
- **\$1.4 billion in funds under management at 12/31/09**
- **Primary focus on retail fixed annuities sold through wholesalers**
 - **Low fixed cost infrastructure permits opportunistic approach**
 - **Capitalizing on spread opportunities**
 - **Annuity spreads have averaged 150-250 basis points**
- **MVA feature reduces interest rate risk (over 91% of traditional fixed annuity production)**
- **Typically contributes about 10-15% of Delphi's operating profits**

Solid Investment Operations

- **10% compound annualized growth in invested assets over past 5 years**
- **Portfolio managed for cash flow and matching of assets and liabilities**
- **Liquid investments with readily ascertainable value**
- **Approximately 2/3 of liabilities not interest rate sensitive**
- **ERM analysis shows benefits of diversification among multiple asset classes**
- **Improved investment income in 2009 from portfolio repositioning**

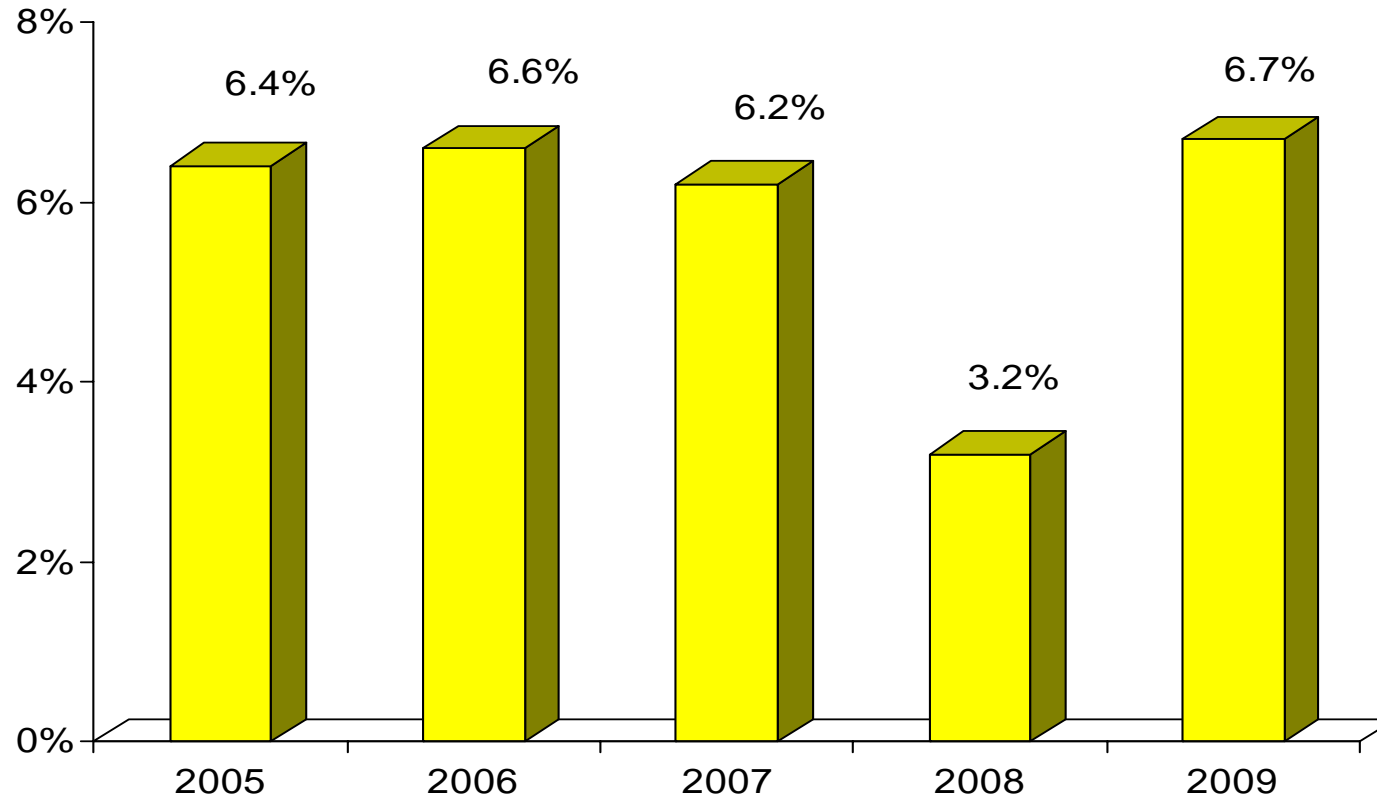
Composition of Investment Portfolio

December 31, 2009 = \$5.7 billion



Annual Investment Returns

Tax Equivalent Yield



Strong Liquidity and Capital Position

- Long-tail, stable group insurance liabilities
- Modest institutional liabilities, none puttable
- Surrender charges or MVA protection on most annuities
- Completed \$250 million 10-year debt offering in January to term out short-term bank debt
- \$112 million of holding company financial assets (pro-forma) following recent 10-year debt offering
- No short-term debt with first debt maturity in 2020
- \$472 million of cash and short-term investments

Improved Balance Sheet

(Dollars in millions)

	Pro-forma <u>12/31/09</u>⁽¹⁾	<u>12/31/09</u>	<u>12/31/08</u>
Corporate Debt	\$ 393.8⁽²⁾	\$ 365.8⁽³⁾	\$ 350.8⁽³⁾
Jr. Subordinated Debentures	\$ 175.0	\$ 175.0	\$ 175.0
Shareholders' Equity	\$ 1,359.0	\$ 1,359.0	\$ 820.6
Debt-to-capital Ratio ⁽⁴⁾	20%	19%	26%

(1) Adjusted to include \$250.0 million of Senior Notes due in 2020, issued on 1/20/10, and repayment of all outstanding borrowings under the Company's revolving credit facility.

(2) Corporate debt consists of \$143.8 million of Senior Notes due in 2033 and \$250.0 million of Senior Notes due in 2020.

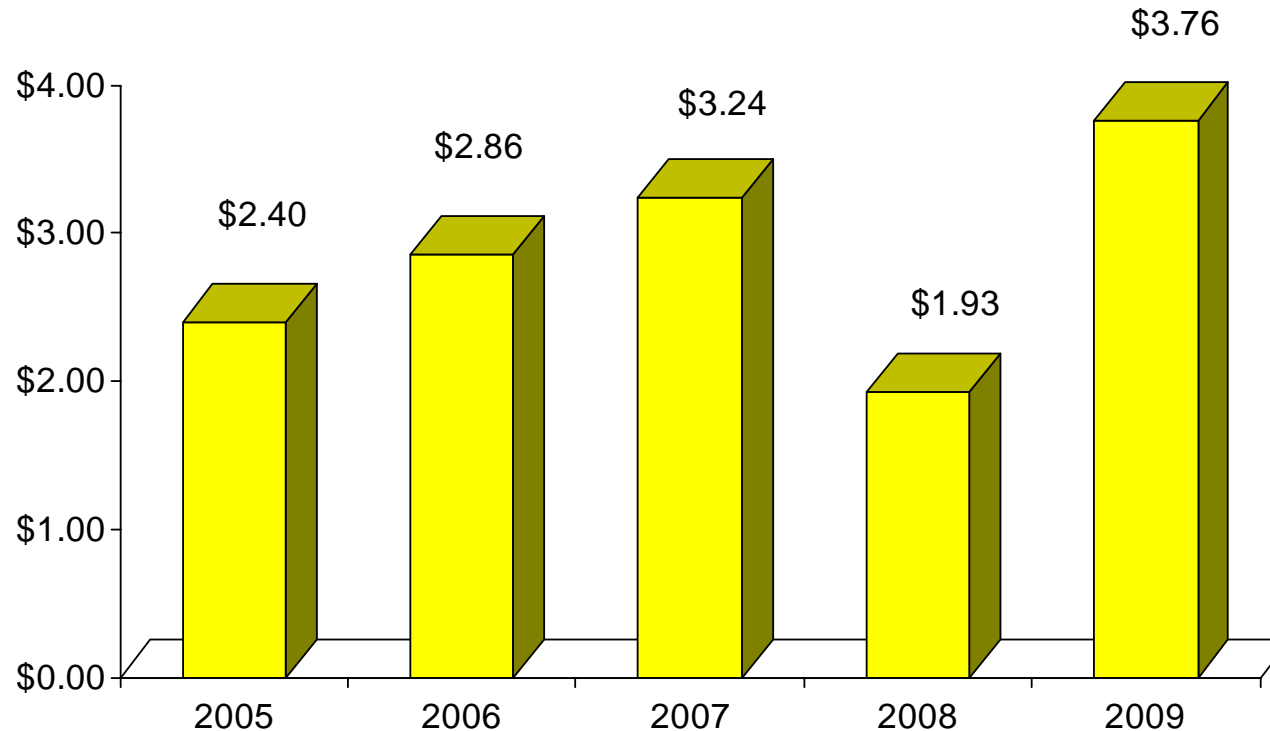
(3) Corporate debt consists of \$143.8 million of Senior Notes due in 2033 and outstanding borrowings under the Company's revolving credit facility.

(4) The corporate debt to total capitalization ratio is calculated by dividing corporate debt by the sum of corporate debt, junior subordinated debentures and shareholders' equity.

Growing Book Value Per Share



Operating Earnings per Share*



*This non-GAAP financial measure excludes after-tax realized investment gains and losses, loss on redemptions of junior subordinated deferrable interest debentures and discontinued operations. See slide #32 for additional information.

Guidance

- **2010 operating EPS in range of \$3.20 to \$3.50**
 - **8% more shares outstanding vs. 2009**
 - **\$17 million in additional interest expense vs. 2009**
 - **Modest growth in premiums**
 - **Stable combined ratios**
 - **High single-digit growth in invested assets**
 - **Investment yield of around 6% tax-equivalent**
- **2010 operating return on beginning equity of 13%-14%**
- **Beyond 2010, operating EPS growth in line with 5-year historic average of 10%-12%**

Summary

- **Positive outlook, high visibility for insurance operations**
- **Favorable market continuing in excess workers' comp**
- **Solid underwriting profits in group employee benefits**
- **Unique strategic focus on attractive smaller case market**
- **Improved investment income from portfolio repositioning**
- **Strong liquidity position and capital structure**

Footnotes

Slide 29: After-tax operating earnings and operating earnings per share are non-GAAP financial measures which exclude after-tax realized investment gains and losses, after-tax losses on redemptions of junior subordinated deferrable interest debentures, and after-tax income and losses from discontinued operations. The Company believes that because realized investment gains and losses, redemptions of junior subordinated deferrable interest debentures, and discontinued operations arise from events that, to a significant extent, are within management's discretion and can fluctuate significantly, thus distorting comparisons between periods, a measure excluding their impact is useful in analyzing the Company's operating trends. For these reasons, management uses the measure of operating earnings to assess performance and make operating plans and decisions, and analysts and investors typically utilize measures of this type when evaluating the financial performance of insurers. However, gains and losses of these types, particularly as to investments, occur frequently and should not be considered as nonrecurring items. Further, operating earnings should not be considered a substitute for net income, the most directly comparable GAAP measure, as an indication of the Company's overall financial performance and may not be calculated in the same manner as similarly titled captions in other companies' financial statements.

After-tax realized investment gains (losses) were \$5.9 million, \$(0.6) million, \$(1.2) million, \$(57.3) million, and \$(95.9) million or \$0.12 per diluted share, \$(0.01) per diluted share, \$(0.02) per diluted share, \$(1.17) per diluted share, and \$(1.85) per diluted share for the full year of 2005, 2006, 2007, 2008 and 2009, respectively. The after-tax loss on redemption of junior subordinated deferrable interest debentures was \$1.4 million or \$0.03 per share and \$0.4 million or \$0.01 per share, for the full years ended 2007 and 2008.

The after-tax income (loss) from discontinued operations was \$2.1 million, \$(13.4) million and \$(2.9) million, or \$0.04 per diluted share, \$(0.27) per diluted share and \$(0.06) per diluted share, for the full year of 2004, 2005, and 2006, respectively.

Safe Harbor Statement

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, such as earnings per share guidance, and in any other statements 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,” “outlook,” “effort,” “attempt,” “achieve,” “project,” 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, employee benefit and tax laws and regulations, changes in accounting rules or interpretation, 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, persistency 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 Delphi and 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. Forward-looking statements contained in the foregoing discussion are made as of the date of this press release and Delphi disclaims any obligation to update these or any other forward-looking statements.