

# **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**

**Barclays Capital  
2010 Financial Services Conference  
May 19, 2010**

**Robert Rosenkranz  
Chairman and  
Chief Executive Officer**

# Delphi Financial Group, Inc.

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- **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



**RELIANCE STANDARD**  
Life Insurance Company

- 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

**SAFETY NATIONAL**  
Casualty Corporation

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

**MATRIX**  
Absence Management, Inc.

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



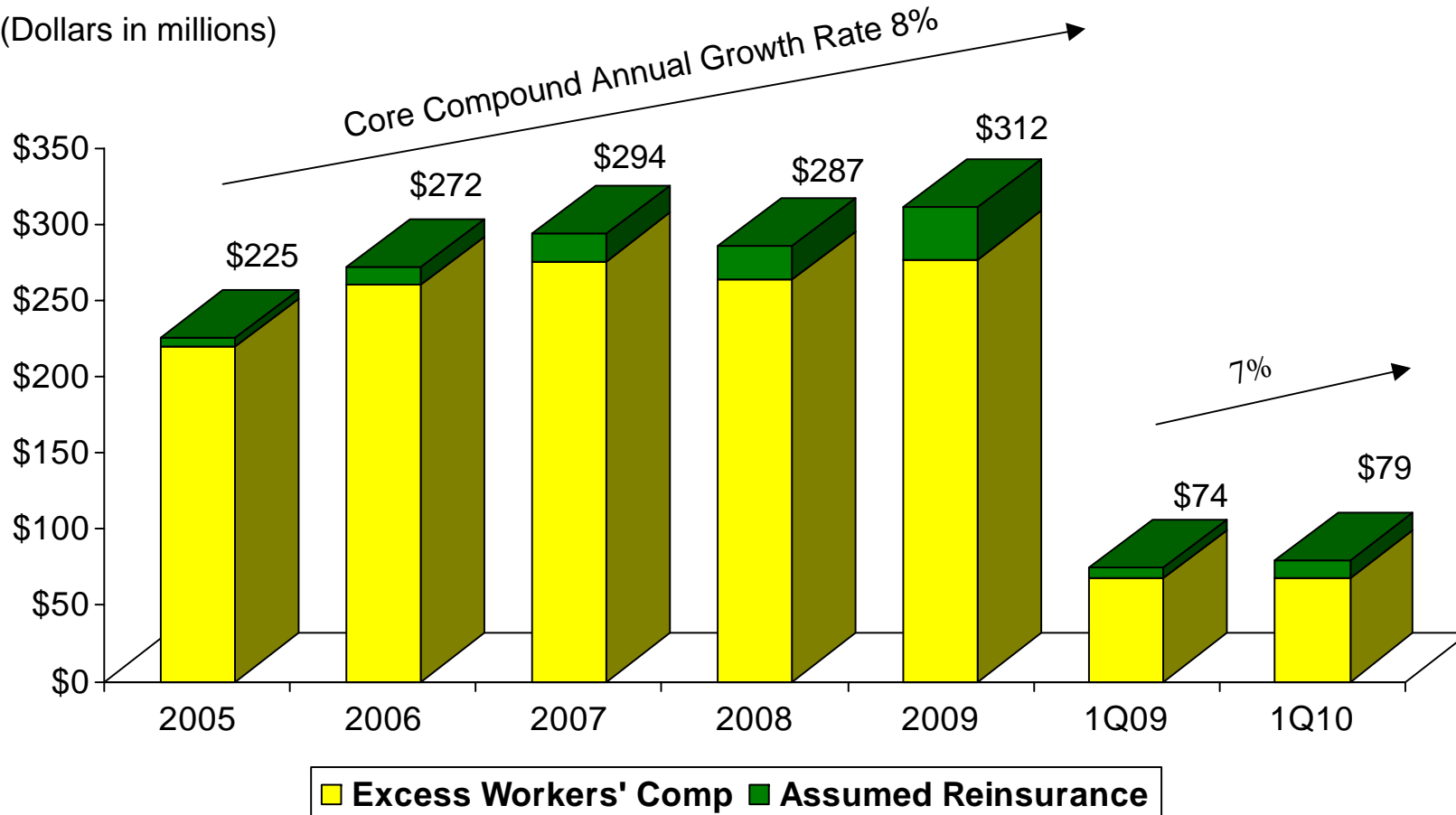
# Key Points

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- **Strong balance sheet and enhanced capital position**
- **Improved investment income from portfolio repositioning**
- **Disciplined focus on underwriting margins**
- **Growing core premiums at Safety National**
- **Solid underwriting profits at Reliance Standard**
- **Strategic emphasis on small case market**
- **Positive long-term outlook for earnings growth and ROE**

# Growing Core Premiums at Safety National

(Dollars in millions)



# Market Leader in Excess Workers' Comp

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- **Safety National is expanding its leading market share in providing coverage to self-insureds**

	<u>2009</u>	<u>2008</u>
1. Safety National	24%	22%
2. Competitor 2	15%	18%
3. Competitor 3	10%	12%

- **Competitive environment improved since 2000**
  - High barriers to entry
  - Safety National purchased ERC renewal rights in July 2005
- **Production increased 75% in 2009 to \$45 million**

# Attractive Business Model in Excess Workers' Comp

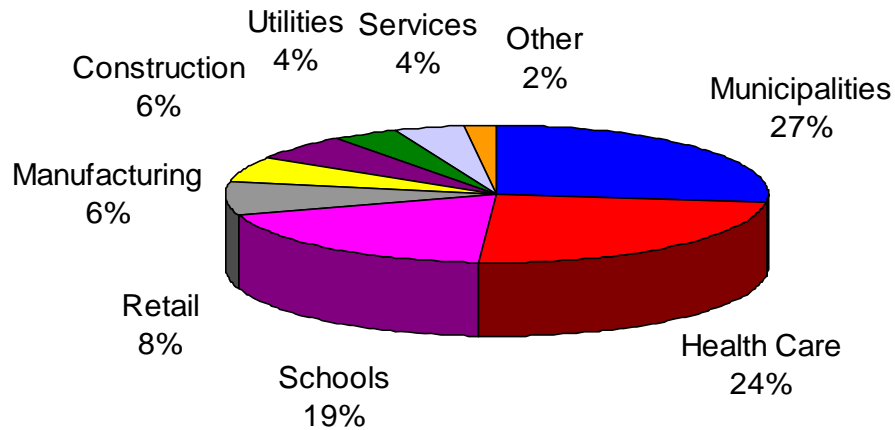
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- **Safety National capitalized on favorable market to raise rates and move further away from risk**
  - Rates have stabilized at attractive levels 52% higher than in 2001
  - Average self-insured retention increased from \$313,000 at 12/31/01 to \$522,000 at 3/31/10
- **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

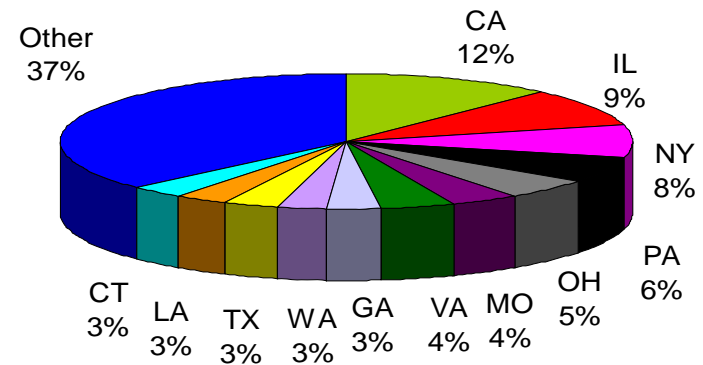
# Stable Book of Business

## Excess Workers' Compensation Premiums at 12/31/09

### By Industry



### By State



# Growth Initiatives at Safety National

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- **Assumed workers' compensation and casualty reinsurance**
  - 53% growth in 2009 to \$34 million of core premium, 73% growth in 1Q10 vs. 1Q09
  - 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

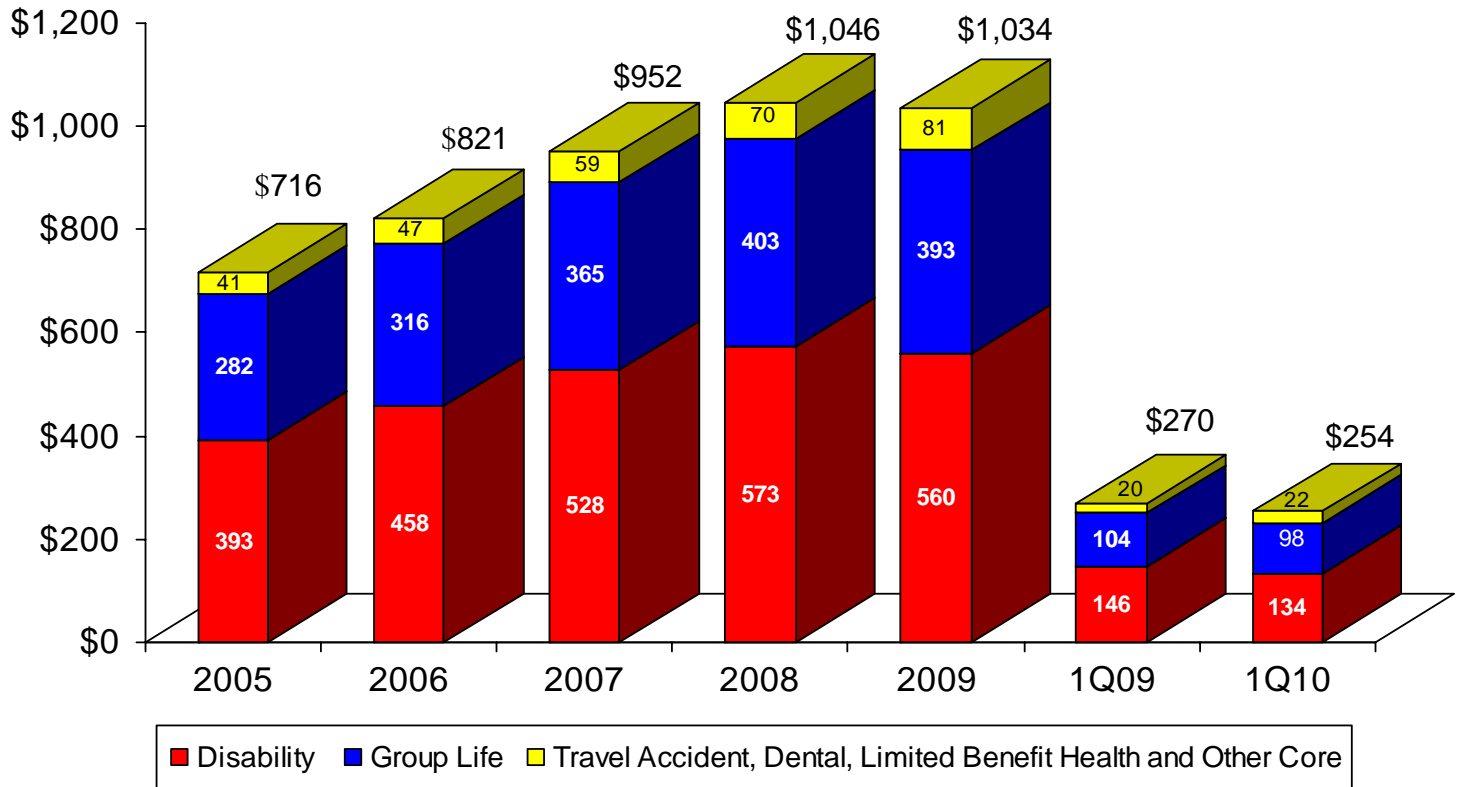
# Reliance Standard Life: Top Tier Carrier in Small Case Niche

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- **Maintaining strong market presence despite challenging environment**
  - #10 nationwide in 2009 Group LTD in-force premiums\*
  - #12 in 2009 Group Life in-force premiums\*
- **RSL sales management has:**
  - Invested in enhanced technology and training
  - Focused on smaller, more profitable cases

# RSL Core Group Employee Benefit Premiums

(Dollars in millions)



# Superior Underwriting Performance

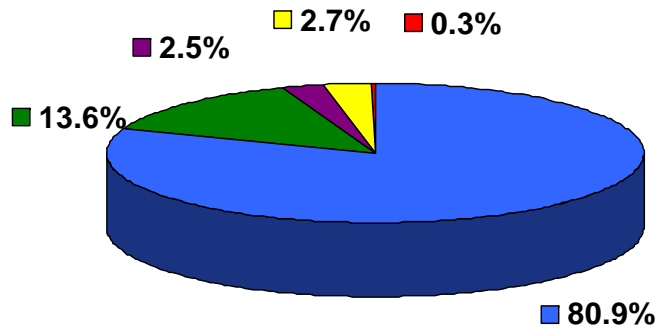
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- **RSL's underwriting margins consistently better than peers**
  - RSL's combined ratios in 93-95 range vs. peers ranging from 96-112
- **Better profit margins in under-500 employee segment**
  - Smaller brokers - relationship driven
  - Less price sensitive
  - More conservative plan designs
- **Not experiencing any spike in claims incidence or severity despite weaker economy**
  - LTD incidence rates consistent with prior years and below levels assumed in our pricing
  - LTD claim termination rates consistent with prior years and above levels assumed in our GAAP reserves

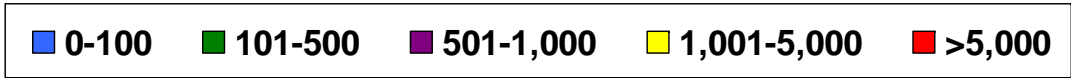
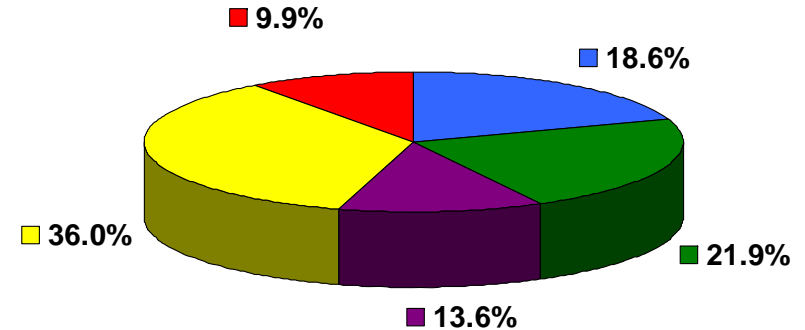
# Concentration in Small Case Niche

## RSL Case Size Breakdown at 3/31/10

Number of Policies



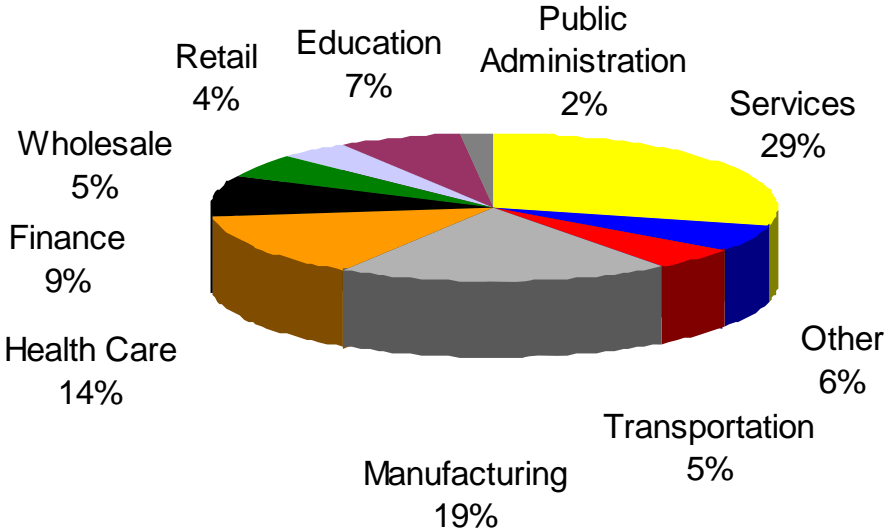
Premium Dollars



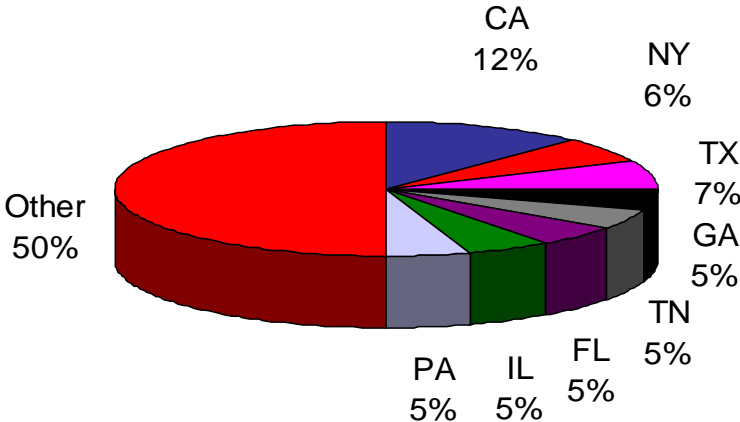
# Diverse Spread of Risk

## RSL Core Group Employee Benefits Premiums at 3/31/10

### By Industry



### By State



# Growth Drivers at Reliance Standard

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

# Increasing Contribution from Voluntary Products

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- **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 up 30% to \$32 million in 2009 (2% of Delphi total)
  - Targets hourly, part-time employees in retail, hotel and restaurant industries
  - Estimated 27 million employed Americans are uninsured

# Effective Alternative Distribution

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

# Differentiated Approach to Larger Cases

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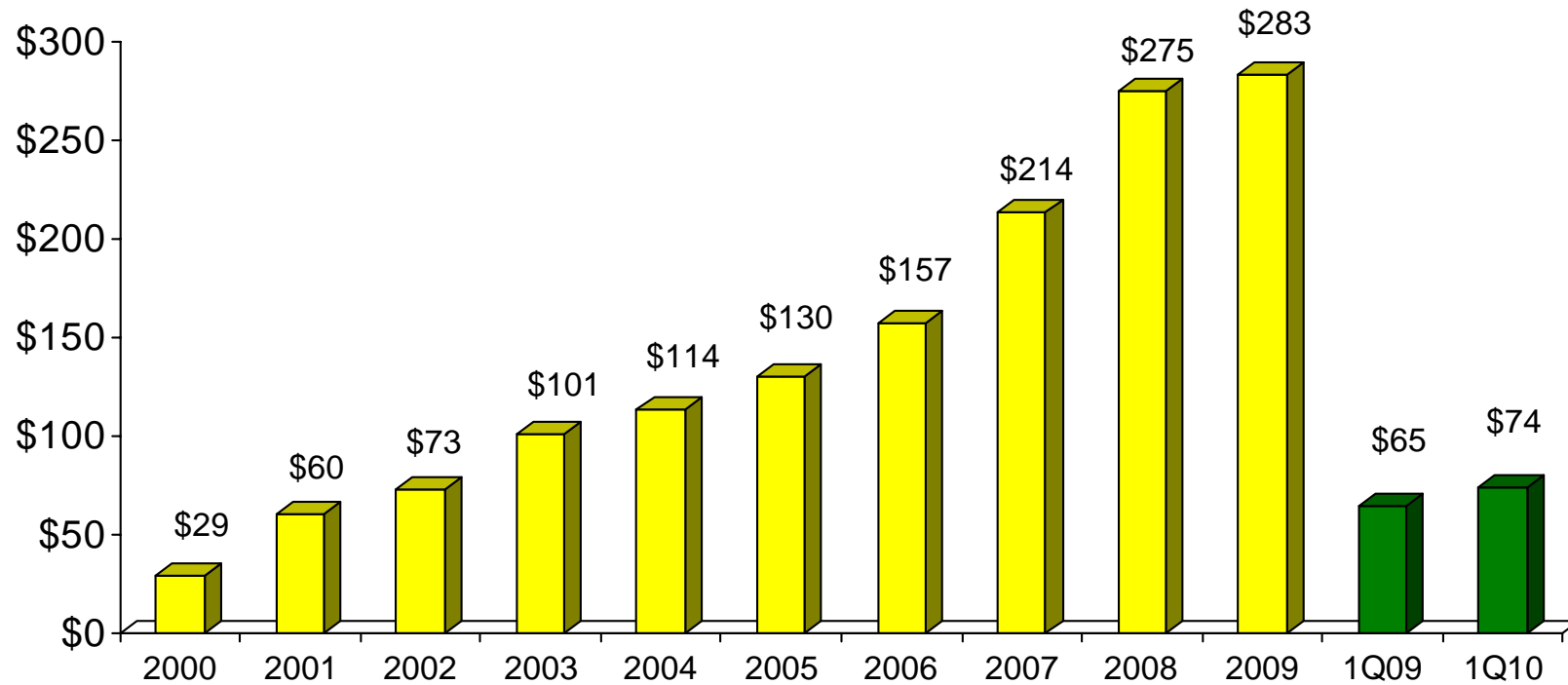
- **Integrated Employee Benefits program**
  - Unique Delphi competence pairs Matrix Absence Management service platform with RSL and/or SNCC insurance coverage
  - Improves productivity through return-to-work focus
- **New RelianceONE™ program rolling out in 2010**
  - Integrates IEB program with health 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

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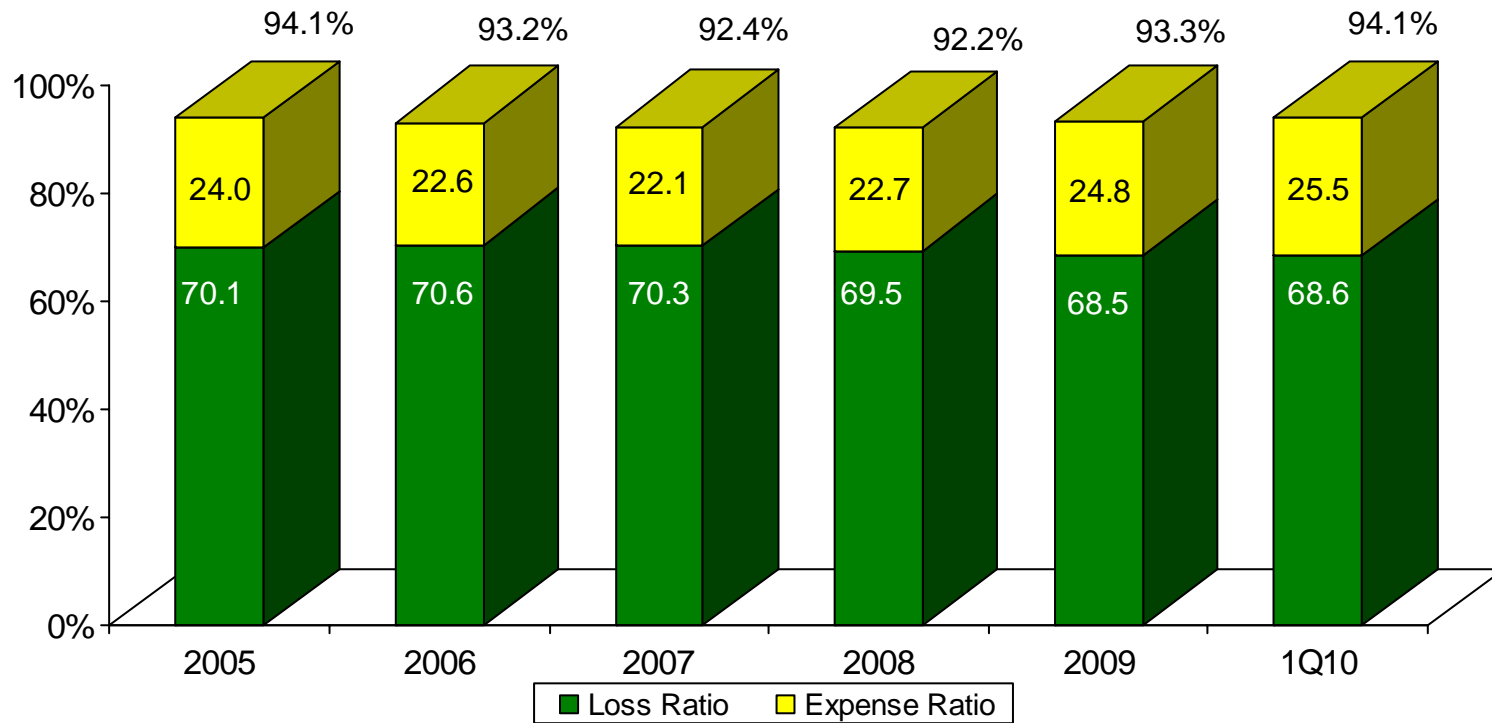
Total Revenues from IEB Clients  
(Premium and Fees)

(Dollars in millions)



# Focus on Underwriting Profitability

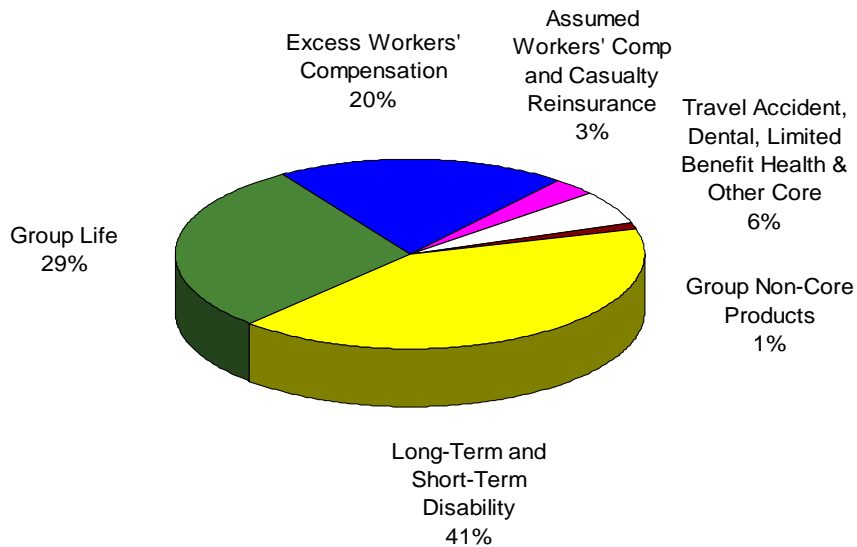
Delphi GAAP Combined Ratio



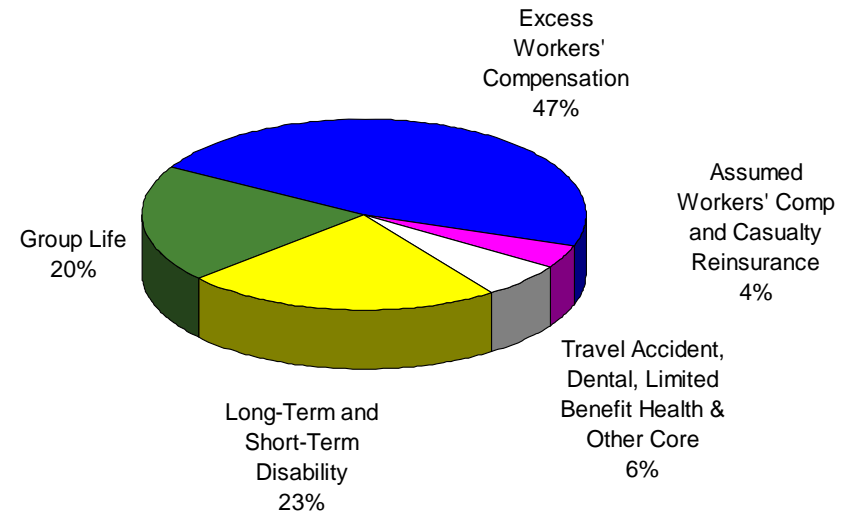
# Profitable Mix of Business

Group Employee Benefits Segment  
Three Months Ended March 31, 2010

**Premiums**  
**\$335.2 million**



**Operating Income**  
**\$70.8 million**



# Significant Asset Accumulation Business

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- **\$1.4 billion in funds under management at 3/31/10**
- **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 (91% of traditional fixed annuity production)**
- **Typically contributes about 10-15% of Delphi's operating profits**

# Solid Investment Operations

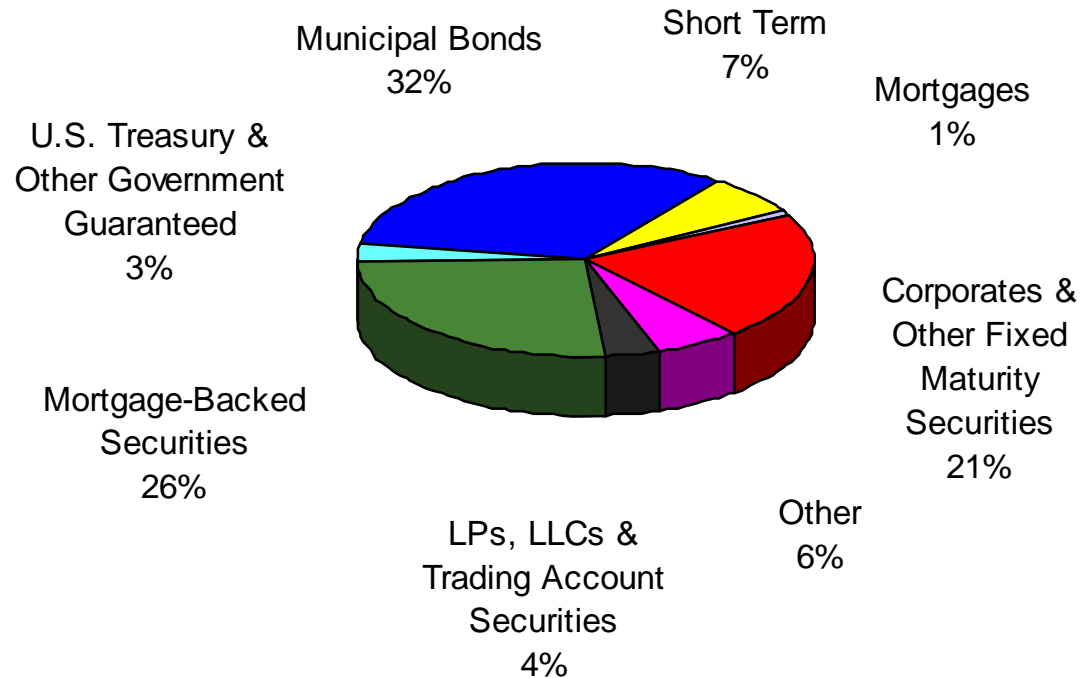
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- **10% compound annualized growth in invested assets over past 5 years**
- **Portfolio managed for cash flow and matching of assets and liabilities**
- **Liquid investments with readily ascertainable value**
- **Approximately 2/3 of liabilities not interest rate sensitive**
- **ERM analysis shows benefits of diversification among multiple asset classes**
- **Improved investment income in 2009 from portfolio repositioning**
- **Expect impairments to diminish in 2010 as credit cycle improves**

# Composition of Investment Portfolio

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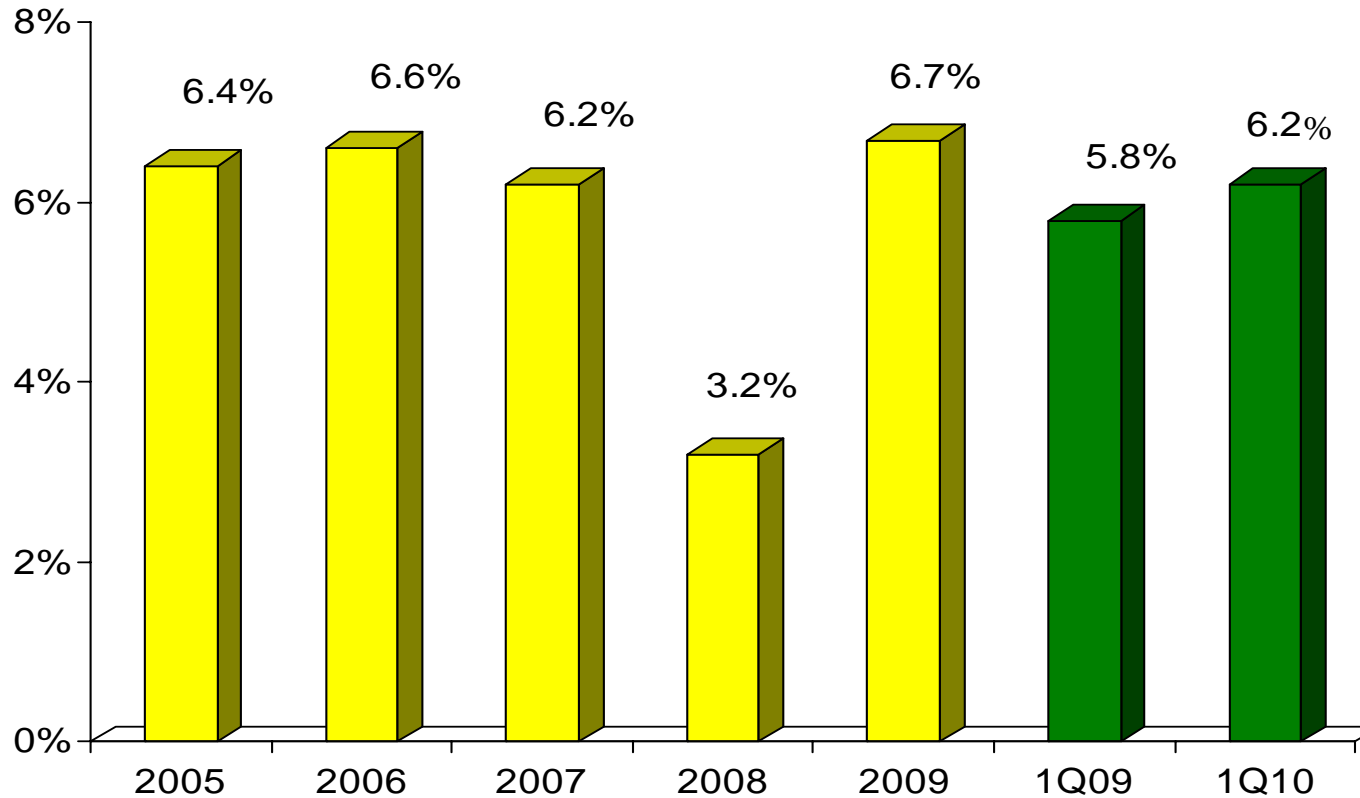
March 31, 2010 = \$6.0 billion



# Annual Investment Returns

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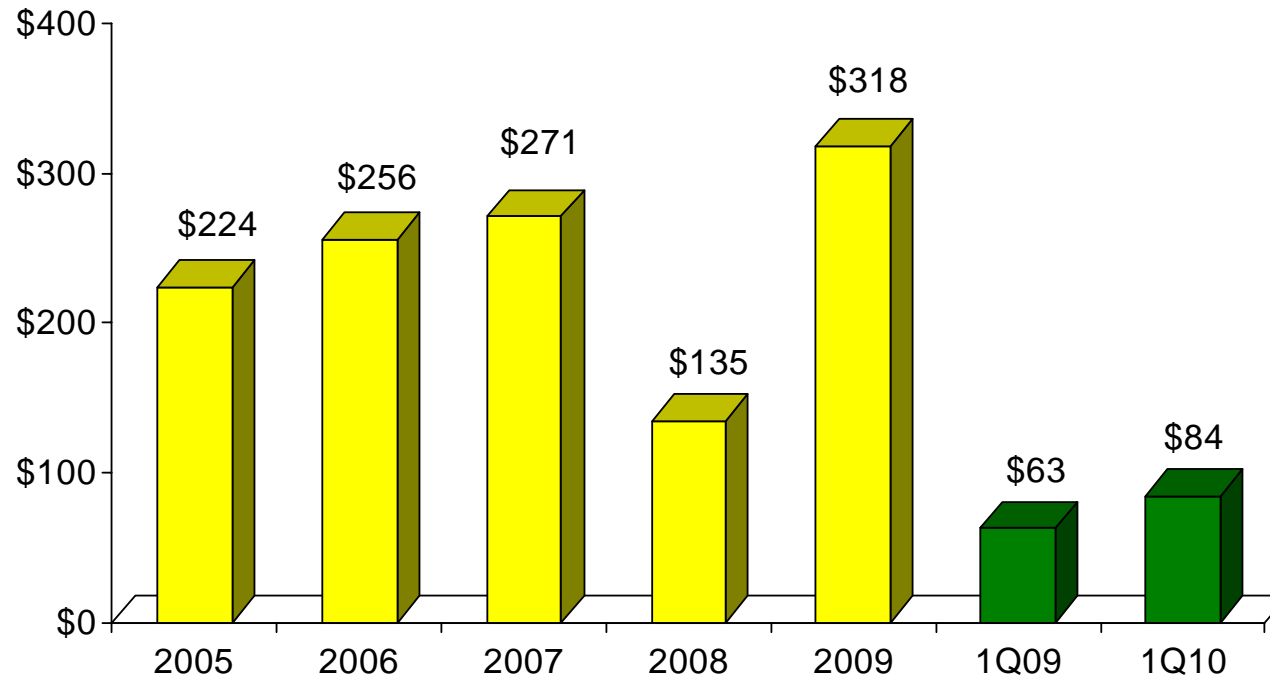
## Tax Equivalent Yield



# Improved Net Investment Income

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(Dollars in millions)



# Strong Liquidity and Capital Position

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- Long-tail, stable group insurance liabilities
- Modest institutional liabilities, none puttable
- Surrender charges or MVA protection on most annuities
- RBC ratio of 331% at Reliance Standard at 12/31/09
- Solid capital at Safety National with A.M. Best rating of 'A' with stable outlook
- \$112 million of holding company financial assets at 3/31/10
- No short-term debt with first debt maturity in 2020
- \$482 million of cash and short-term investments at 3/31/10

# Improved Balance Sheet

(Dollars in millions, except per share)

	<u>3/31/10</u>	<u>12/31/09</u>	<u>12/31/08</u>
<b>Corporate Debt</b>	\$ 393.8 <sup>(1)</sup>	\$ 365.8 <sup>(2)</sup>	\$ 350.8 <sup>(2)</sup>
<b>Jr. Subordinated Debentures</b>	\$ 175.0	\$ 175.0	\$ 175.0
<b>Shareholders' Equity</b>	\$ 1,419.9	\$ 1,359.0	\$ 820.6
<b>Book Value per Share</b>	\$ 25.40	\$ 24.42	\$ 17.05
<b>Debt-to-capital Ratio <sup>(3)</sup></b>	20%	19%	26%

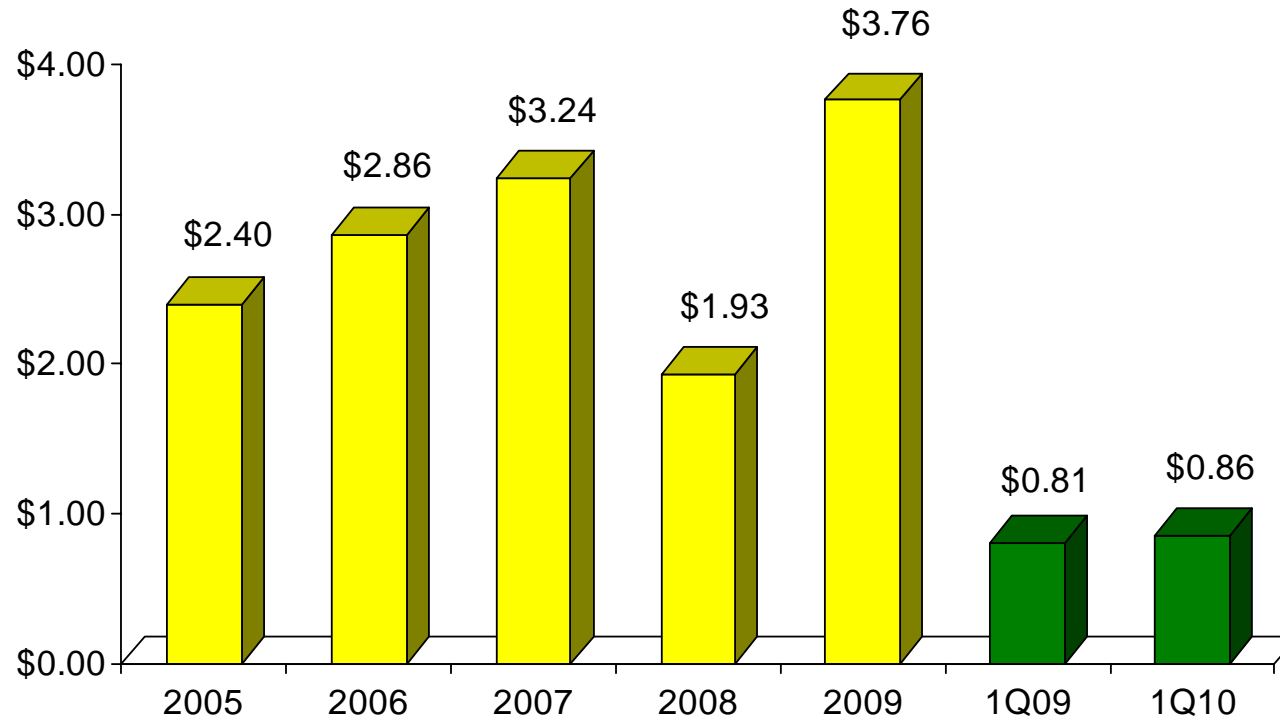
(1) Corporate debt consists of \$143.8 million of Senior Notes due in 2033 and \$250.0 million of Senior Notes due in 2020.

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

(3) 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.

# Operating Earnings per Share\*

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\*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 #31 for additional information.

# Guidance

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- **2010 operating EPS in range of \$3.20 to \$3.50**
  - 18% growth in earnings before interest and taxes (EBIT)
  - 8% more shares outstanding vs. 2009
  - \$17 million in additional interest expense vs. 2009
  - Stable combined ratios, modest growth in premiums
  - 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

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- **Strong balance sheet and capital position**
- **Improved investment income from portfolio repositioning**
- **Growing core premiums at Safety National**
- **Solid underwriting profits at Reliance Standard**
- **Unique strategic focus on attractive smaller case market**
- **Positive long-term outlook for earnings growth and ROE**

# Footnotes

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**Slide 28:** 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. And, for the first quarters of 2009 and 2010, the investment (losses) were \$(14.3) million and \$(9.8) million and \$(0.30) per diluted share and \$(0.18) per diluted share respectively. The after-tax (loss) on redemption of junior subordinated deferrable interest debentures was \$(1.4) million or \$(0.03) per diluted share and \$(0.4) million or \$(0.01) per diluted share, for the full years ended 2007 and 2008.

The after-tax (loss) from discontinued operations was \$(13.4) million and \$(2.9) million, or \$(0.27) per diluted share and \$(0.06) per diluted share for 2005 and 2006, respectively.

# Safe Harbor Statement

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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 interpretations thereof, 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.