

Press Release

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Delphi 2Q Operating EPS of \$0.87; Net of \$1.03 Per Share

Wilmington, Delaware – July 24, 2001 -- Delphi Financial Group, Inc. (NYSE: DFG) today announced second quarter 2001 operating earnings⁽¹⁾ of \$0.87 per share, or \$18.3 million. These levels are slightly higher than the Company's \$0.85 to \$0.86 per share guidance for the second quarter provided in April, and in line with earnings guidance of \$3.50 for 2001. Net income for the quarter was \$1.03 per share, or \$21.7 million. Net income includes a \$0.15 per share extraordinary gain on the repurchase of Capital Securities and realized investment gains of \$0.01 per share.

The Company substantially completed its deleveraging strategy during the first quarter of 2001 by repaying \$150 million of bank debt and repurchasing \$21.3 million of Capital Securities. An additional \$32.7 million of Capital Securities were repurchased during the second quarter. At quarter end, the ratio of debt to total capitalization stood at 14%, down from 30% at year-end and 32% a year ago.

The substantial reduction in higher yielding investment activities at the holding company had the anticipated effect of reducing operating earnings per share compared with last year. But the Company's deleveraging strategy was designed to emphasize the strength of its insurance operations. This quarter's results continue to show this strength.

Core group employee benefit premiums grew 13% from the same period a year ago and new core premium production grew 24% over the second quarter of 2000. The group employee benefits combined ratio was 92.7% in the second quarter, in line with the strong results reported for the second quarter and full year of 2000. Pricing trends continue to be favorable in the flagship excess workers' compensation and long-term disability lines. The Company maintained disciplined pricing of its annuity products in the second quarter, while many competitors failed to react quickly enough to declining interest rates. As a result, we had \$13.4 million of new annuity sales in the second quarter. The tax equivalent yield on our investment portfolio was 7.0% for the second quarter of 2001.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "We are very pleased with the performance of our insurance operations during the second quarter of 2001. Operating earnings were above our guidance for the quarter and we are on track to earn \$3.50 per share for 2001 and produce 10% to 12 % earnings growth. We are also very pleased with the 30% rise in our share price during the second quarter and view this as evidence that our recent change in corporate strategy is being accepted in the market."

Operating earnings⁽¹⁾ for the first half of 2001 were \$1.69 per share, or \$35.7 million. Core group employee benefit premiums grew 13% over the first half of 2000. The group employee benefits combined ratio was 92.3% in the first half of 2001, down from 93.6% for the first half of 2000. Net income for the first half of 2001 was \$2.01 per share, or \$42.3 million. Net income includes a \$0.30 per share extraordinary gain on the repurchase of Capital Securities and realized investment gains of \$0.02 per share.

On July 25, 2001 at 11:00 AM (Eastern Daylight Time), Delphi will broadcast the Company's second quarter 2001

earnings teleconference live on the Internet, hosted by Robert Rosenkranz, Chairman and Chief Executive Officer. Investors can access the broadcast at 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 Daylight Time) on July 25, 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.

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 “expects,” “believes,” “anticipates,” “intends,” “judgment” 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, and market pricing and competitive trends relating to insurance products and services, 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. Delphi disclaims any obligation to update forward-looking information.

⁽¹⁾ Operating earnings exclude after-tax realized investment gains and losses and extraordinary gain. All per share amounts are on a diluted basis.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>06/30/01</u>	<u>06/30/00</u>	<u>06/30/01</u>	<u>06/30/00</u>
Revenue:				
Premium and fee income.....	\$ 122,513	\$ 112,123	\$ 245,818	\$ 224,882
Net investment income.....	<u>39,433</u>	<u>46,536</u>	<u>78,499</u>	<u>97,212</u>
	<u>161,946</u>	<u>158,659</u>	<u>324,317</u>	<u>322,094</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	90,170	81,904	179,869	167,675
Commissions and expenses.....	<u>40,680</u>	<u>36,161</u>	<u>81,747</u>	<u>73,607</u>
	<u>130,850</u>	<u>118,065</u>	<u>261,616</u>	<u>241,282</u>
Operating income	31,096	40,594	62,701	80,812
Interest expense.....	2,665	5,380	6,474	10,739
Income tax expense.....	9,203	10,790	18,184	21,836
Dividends on Capital Securities of Delphi Funding L.L.C....	<u>902</u>	<u>1,513</u>	<u>2,382</u>	<u>3,026</u>
Income before realized investment gains (losses) and extraordinary gain.....	18,326	22,911	35,661	45,211
Realized investment gains (losses), net of taxes	146	(3)	439	(1,009)
Extraordinary gain, net of taxes.....	<u>3,196</u>	<u>-</u>	<u>6,213</u>	<u>-</u>
Net income	<u>\$ 21,668</u>	<u>\$ 22,908</u>	<u>\$ 42,313</u>	<u>\$ 44,202</u>
Basic results per share of common stock:				
Income before realized investment gains (losses) and extraordinary gain	\$ 0.89	\$ 1.13	\$ 1.74	\$ 2.22
Realized investment gains (losses), net of taxes	0.01	-	0.02	(0.05)
Extraordinary gain, net of taxes.....	<u>0.16</u>	<u>-</u>	<u>0.30</u>	<u>-</u>
Net income	<u>\$ 1.06</u>	<u>\$ 1.13</u>	<u>\$ 2.06</u>	<u>\$ 2.17</u>
Weighted average shares outstanding	20,534	20,323	20,531	20,355
Diluted results per share of common stock:				
Income before realized investment gains (losses) and extraordinary gain	\$ 0.87	\$ 1.09	\$ 1.69	\$ 2.15
Realized investment gains (losses), net of taxes	0.01	-	0.02	(0.04)
Extraordinary gain, net of taxes.....	<u>0.15</u>	<u>-</u>	<u>0.30</u>	<u>-</u>
Net income	<u>\$ 1.03</u>	<u>\$ 1.09</u>	<u>\$ 2.01</u>	<u>\$ 2.11</u>
Weighted average shares outstanding	21,078	20,968	21,084	20,982

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

	<u>06/30/01</u>	<u>12/31/00</u>
Assets:		
Invested assets	\$ 2,302,058	\$ 2,488,289
Other assets	<u>972,076</u>	<u>951,721</u>
Total assets	<u>\$ 3,274,134</u>	<u>\$ 3,440,010</u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$ 1,198,731	\$ 1,170,144
Policyholder account balances	792,886	782,452
Corporate debt.....	100,717	267,770
Other liabilities	<u>548,815</u>	<u>581,451</u>
Total liabilities	2,641,149	2,801,817
Capital Securities of Delphi Funding L.L.C.....	46,050	100,000
Shareholders' equity	<u>586,935</u>	<u>538,193</u>
Total liabilities and shareholders' equity	<u>\$ 3,274,134</u>	<u>\$ 3,440,010</u>
Diluted book value per share of common stock.....	\$ 28.89	\$ 26.87
Diluted book value per share of common stock before net unrealized depreciation on investments	\$ 30.81	\$ 29.15