

# Press Release

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## **Delphi Financial Confirms Pre-Announced Fourth Quarter and Full Year 2001 Results**

Wilmington, Delaware – February 13, 2002 -- Delphi Financial Group, Inc. (NYSE: DFG) today announced operating earnings<sup>(1)</sup> for full year 2001 of \$44.7 million, or \$2.18 per share, and an operating loss for fourth quarter 2001 of \$7.0 million, or \$0.34 per share, in line with the Company's pre-announcement on January 29, 2002. As previously announced, Delphi's results for fourth quarter 2001 include an after-tax charge of \$26.3 million, or \$1.28 per share, for reserve strengthening primarily related to an unusually high number of large losses during 2001 in the Company's excess workers' compensation business. Approximately \$4.9 million, or \$0.24 per share, of the reserve strengthening is attributable to additional losses resulting from the terrorist attacks on the World Trade Center. Delphi's full year 2001 results include an after-tax charge for reserve strengthening totaling \$28.8 million, or \$1.40 per share, primarily related to the unusually high number of large losses in the Company's excess workers' compensation business. The full-year reserve strengthening includes approximately \$7.3 million, or \$0.36 per share, attributable to losses resulting from the terrorist attacks on the World Trade Center.

Several recent developments contribute to a strong outlook for 2002 and beyond. Specifically:

- Safety National achieved price increases in excess of 20% on December and January renewals in its core excess workers' compensation business;
- It also achieved significant improvements in contract terms on excess workers' compensation renewals;
- Safety National's new business production in December and January was \$10 million, compared with \$4 million in the same two months a year ago;
- Safety National's run rate for premiums in its excess workers' compensation business is 23% higher than a year ago;
- Reliance Standard Life achieved \$57.0 million in fourth quarter production in its core group employee benefit products, an increase of 46.5% over a year ago, reflecting sales force expansion and continued strength in its small case niche;
- Reliance Standard Life's run rate for premiums in its core group employee benefit products is 15% higher than a year ago.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "In our pre-announcement, we noted that of the \$36 million pre-tax addition to Safety National's reserves, \$12 million was for specific reported losses and the remaining \$24 million was for losses incurred but not reported in 2001 or prior years. This action was specifically intended to minimize the possibility that additional unusual large losses from 2001 could adversely affect Delphi's future results." Mr. Rosenkranz continued, "We believe we have high earnings visibility for 2002 and beyond based on the dramatic strengthening in Safety National's market environment and strong new business production at Reliance Standard Life." Delphi has provided guidance for 2002 operating earnings in the range of \$3.65 to \$3.70 per share and earnings per share growth in 2003 at or above the high end of its target growth range of 10-12%.

Delphi reported a net loss for the fourth quarter of \$48.6 million, or \$2.36 per share, which includes after-tax realized investment losses of \$41.6 million, or \$2.02 per share, primarily attributable to a previously announced charge for writedowns to market value of fixed income investments. The impact of this charge on book value is approximately \$0.75 per share since most of these losses were reflected in the market value of the respective investments on the Company's balance sheet at September 30, 2001. Book value per share at December 31, 2001 was \$28.50, compared with \$26.87 at December 31, 2000. The Company's debt to capital ratio was 17% at the end of 2001, down from 30% at the end of 2000.

Net income for full-year 2001 was \$6.5 million, or \$0.32 per share, which includes realized investment losses of \$2.22 per share primarily attributable to the charge for writedowns to market value of fixed income investments, and a \$0.36 per share extraordinary gain on the repurchase of Capital Securities.

On February 14, 2002 at 11:00 AM (Eastern time), Delphi will broadcast the Company's fourth 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](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 February 14, 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 "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.

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).

<sup>(1)</sup> Operating earnings and losses exclude after-tax realized investment losses.

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**DELPHI FINANCIAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF (LOSS) INCOME**  
**(Unaudited; In Thousands, Except Per Share Data)**

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>12/31/01</u>	<u>12/31/00</u>	<u>12/31/01</u>	<u>12/31/00</u>
Revenue:				
Premium and fee income .....	\$ 134,318	\$ 120,514	\$ 507,204	\$ 466,357
Net investment income .....	<u>40,613</u>	<u>41,677</u>	<u>157,509</u>	<u>184,576</u>
	<u>174,931</u>	<u>162,191</u>	<u>664,713</u>	<u>650,933</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders ...	140,155	86,858	416,996	342,758
Commissions and expenses .....	<u>43,015</u>	<u>39,523</u>	<u>166,065</u>	<u>150,804</u>
	<u>183,170</u>	<u>126,381</u>	<u>583,061</u>	<u>493,562</u>
Operating (loss) income .....	(8,239)	35,810	81,652	157,371
Interest expense:				
Corporate debt .....	2,591	5,361	11,604	21,457
Dividends on Capital Securities of Delphi Funding L.L.C.	1,071	2,328	5,808	9,311
Income tax (benefit) expense .....	<u>(4,913)</u>	<u>9,540</u>	<u>19,493</u>	<u>40,165</u>
(Loss) income before realized investment losses and extraordinary gain .....	(6,988)	18,581	44,747	86,438
Realized investment losses, net of taxes .....	(41,625)	(87,378)	(45,688)	(89,731)
Extraordinary gain, net of taxes .....	-	-	<u>7,446</u>	-
Net (loss) income .....	<u>\$ (48,613)</u>	<u>\$ (68,797)</u>	<u>\$ 6,505</u>	<u>\$ (3,293)</u>
Basic and diluted results per share of common stock:				
(Loss) income before realized investment losses and extraordinary gain .....	\$ (0.34)	\$ 0.91	\$ 2.18	\$ 4.24
Realized investment losses, net of taxes .....	(2.02)	(4.27)	(2.22)	(4.40)
Extraordinary gain, net of taxes .....	-	-	<u>0.36</u>	-
Net (loss) income .....	<u>\$ (2.36)</u>	<u>\$ (3.36)</u>	<u>\$ 0.32</u>	<u>\$ (0.16)</u>
Weighted average shares outstanding .....	20,634	20,483	20,565	20,388
Dividend paid per share of common stock .....	\$ 0.07	\$ -	\$ 0.28	\$ -

**DELPHI FINANCIAL GROUP, INC.**  
**SUMMARIZED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited; In Thousands, Except Per Share Data)**

	<u>12/31/01</u>	<u>12/31/00</u>
Assets:		
Invested assets .....	\$ 2,427,214	\$ 2,475,945
Other assets .....	<u>908,932</u>	<u>964,065</u>
Total assets .....	<u>\$ 3,336,146</u>	<u>\$ 3,440,010</u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals .....	\$ 1,279,652	\$ 1,170,144
Policyholder account balances .....	817,543	782,452
Corporate debt .....	125,675	267,770
Other liabilities .....	<u>495,232</u>	<u>581,451</u>
Total liabilities .....	2,718,102	2,801,817
Capital Securities of Delphi Funding L.L.C. ....	36,050	100,000
Shareholders' equity .....	<u>581,994</u>	<u>538,193</u>
Total liabilities and shareholders' equity .....	<u>\$ 3,336,146</u>	<u>\$ 3,440,010</u>
Diluted book value per share of common stock .....	\$ 28.50	\$ 26.87
Diluted book value per share of common stock before net unrealized depreciation on investments .....	\$ 28.97	\$ 29.15