

# Press Release

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## **Delphi Financial Announces First Quarter 2002 Operating EPS of \$0.93**

Wilmington, Delaware – April 23, 2002 -- Delphi Financial Group, Inc. (NYSE: DFG) today announced operating earnings<sup>(1)</sup> for first quarter 2002 of \$19.5 million, or \$0.93 per share, a 13% increase over operating earnings<sup>(1)</sup> of \$17.3 million, or \$0.82 per share, for first quarter 2001. Net income for first quarter 2002 was \$19.6 million, or \$.93 per share, which includes realized investment gains of \$62,000 in the quarter.

Core group employee benefit premiums in first quarter 2002 increased 18% from the first quarter a year ago and new core premium production almost doubled, reflecting strong momentum continuing from the fourth quarter of 2001. Delphi continued to benefit from dramatic market strengthening for Safety National's excess workers' compensation business, with price increases in excess of 20% on December and January renewals and significant improvements in contract terms. Delphi's premium growth was also driven by continued strong growth in production at Reliance Standard Life, resulting from sales force expansion and ongoing strength in its small case niche. The group employee benefit combined ratio was 95.0% in first quarter 2002, up from 92.0% in first quarter 2001, primarily due to an increase in sales of loss portfolio transfers, which carry a higher loss ratio, and the use of conservative reserving assumptions on the Company's excess workers' compensation business.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "We are very pleased with Delphi's earnings performance in the first quarter, which exceeded our guidance and analyst estimates. Excellent growth in new production has laid the foundation for continued strong growth in premiums and earnings in the remainder of 2002 and beyond. Delphi is well positioned to capitalize on the positive market trends in our insurance businesses."

The pre-tax equivalent yield on the Company's investment portfolio was 6.9% for the first quarter of 2002. Book value per share at March 31, 2002 increased to \$28.84 from \$28.50 at December 31, 2001.

On April 24, 2002 at 11:00 AM (Eastern Time), Delphi will broadcast the Company's first 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 April 24, 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, market pricing and competitive trends relating to insurance products and services, acts of terrorism, 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. 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 are comprised of income from operations adjusted to exclude after-tax realized investment gains. All per share amounts are on a diluted basis.

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

	<u>Three Months Ended</u>	
	<u>03/31/02</u>	<u>03/31/01</u>
Revenue:		
Premium and fee income .....	\$ 156,827	\$ 123,305
Net investment income .....	<u>41,064</u>	<u>39,066</u>
	<u>197,891</u>	<u>162,371</u>
Benefits and expenses:		
Benefits, claims and interest credited to policyholders .....	120,533	89,699
Commissions and expenses .....	<u>45,621</u>	<u>41,067</u>
	<u>166,154</u>	<u>130,766</u>
Operating income .....	31,737	31,605
Interest expense:		
Corporate debt .....	2,528	3,809
Dividends on Capital Securities of Delphi Funding L.L.C. ....	839	2,277
Income tax expense .....	<u>8,862</u>	<u>8,184</u>
Income before realized investment gains and extraordinary gain .....	19,508	17,335
Realized investment gains, net of taxes .....	62	293
Extraordinary gain, net of taxes .....	<u>-</u>	<u>3,017</u>
Net income .....	<u>\$ 19,570</u>	<u>\$ 20,645</u>
Basic results per share of common stock:		
Income before realized investment gains and extraordinary gain .....	\$ 0.95	\$ 0.84
Realized investment gains, net of taxes .....	-	0.01
Extraordinary gain, net of taxes .....	<u>-</u>	<u>0.16</u>
Net income .....	<u>\$ 0.95</u>	<u>\$ 1.01</u>
Weighted average shares outstanding .....	20,688	20,528
Diluted results per share of common stock:		
Income before realized investment gains and extraordinary gain .....	\$ 0.93	\$ 0.82
Realized investment gains, net of taxes .....	-	0.01
Extraordinary gain, net of taxes .....	<u>-</u>	<u>0.15</u>
Net income .....	<u>\$ 0.93</u>	<u>\$ 0.98</u>
Weighted average shares outstanding .....	21,153	21,090
Dividend paid per share of common stock .....	\$ 0.07	\$ 0.07

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

	<u>03/31/02</u>	<u>12/31/01</u>
Assets:		
Invested assets .....	\$ 2,549,587	\$ 2,427,214
Other assets .....	<u>940,003</u>	<u>908,932</u>
Total assets .....	<u>\$ 3,489,590</u>	<u>\$ 3,336,146</u>
Liabilities and shareholders' equity:		
Policy liabilities and accruals .....	\$ 1,318,237	\$ 1,279,652
Policyholder account balances .....	821,271	817,543
Corporate debt .....	120,654	125,675
Other liabilities .....	<u>607,040</u>	<u>495,232</u>
Total liabilities .....	2,867,202	2,718,102
Capital Securities of Delphi Funding L.L.C. ....	36,050	36,050
Shareholders' equity .....	<u>586,338</u>	<u>581,994</u>
Total liabilities and shareholders' equity .....	<u>\$ 3,489,590</u>	<u>\$ 3,336,146</u>
Diluted book value per share of common stock .....	\$ 28.84	\$ 28.50
Diluted book value per share of common stock before net unrealized depreciation on investments .....	\$ 29.95	\$ 28.97