

Press Release

Contact: Bernard J. Kilkelly
Vice President, Investor Relations
Phone: 212-303-4349
E-mail: bernie-kilkelly@dlfi.com

FOR IMMEDIATE RELEASE
7/23/2002

Delphi Financial Announces Second Quarter 2002 Operating EPS of \$0.92

Wilmington, Delaware – July 23, 2002 -- Delphi Financial Group, Inc. (NYSE: DFG) today announced operating earnings⁽¹⁾ for second quarter 2002 of \$19.6 million, or \$0.92 per share, a 7% increase over operating earnings⁽¹⁾ of \$18.3 million, or \$0.87 per share, for second quarter 2001. Operating earnings⁽¹⁾ for the first half of 2002 were \$39.1 million, or \$1.84 per share, a 10% increase over operating earnings⁽¹⁾ of \$35.7 million, or \$1.69 per share, for the first half of 2001.

Core group employee benefit premiums in second quarter 2002 increased 25% from the second quarter a year ago and new core premium production increased 43%. Delphi continued to benefit from dramatic market strengthening for Safety National's excess workers' compensation business, with new production more than doubling over last year's second quarter. Safety National also continued to realize price increases in excess of 20% on renewals and significant improvements in contract terms. Delphi's premium growth was also driven by continued robust growth in production at Reliance Standard Life (RSL), resulting from ongoing strength in its small case niche and further expansion of its sales force, which grew from 81 sales representatives at the end of 2001 to 90 at the end of second quarter 2002. The group employee benefit combined ratio was 94.0% in second quarter 2002, up from 92.7% in second quarter 2001, primarily due to an increase in sales of loss portfolio transfers, which carry a higher loss ratio, and higher reserving on the Company's excess workers' compensation business. The group employee benefit combined ratio was 94.5% in the first half of 2002, up from 92.3% in the first half of 2001.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "Delphi had an excellent quarter as we continued to capitalize on positive market trends in our insurance businesses. Safety National had strong momentum entering the important mid-year renewal season in its excess workers' compensation business, and expects to continue to achieve price increases above 20%. RSL continued to take advantage of strength in its small case niche by increasing its sales force and opening new offices." Mr. Rosenkranz added, "Delphi is on track to meet our financial targets for the remainder of 2002 and we remain confident in our outlook for earnings growth in 2003 and beyond."

Net investment income for the second quarter was \$39.1 million compared with \$39.4 million in the second quarter last year, reflecting higher investment balances offset by a lower portfolio yield. The Company had realized investment gains of \$141,000 in second quarter 2002 and \$203,000 in the first half of 2002. Book value per share at June 30, 2002 increased to \$30.77 from \$28.84 at March 31, 2002.

On July 24, 2002 at 11:00 AM (Eastern Time), Delphi will broadcast the Company's second 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 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 July 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.

(1) 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>Six Months Ended</u>	
	<u>06/30/02</u>	<u>06/30/01</u>	<u>06/30/02</u>	<u>06/30/01</u>
Revenue:				
Premium and fee income	\$ 156,348	\$ 122,513	\$ 313,175	\$ 245,818
Net investment income	<u>39,105</u>	<u>39,433</u>	<u>80,169</u>	<u>78,499</u>
	<u>195,453</u>	<u>161,946</u>	<u>393,344</u>	<u>324,317</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	116,415	90,170	236,948	179,869
Commissions and expenses	<u>47,470</u>	<u>40,680</u>	<u>93,091</u>	<u>81,747</u>
	<u>163,885</u>	<u>130,850</u>	<u>330,039</u>	<u>261,616</u>
Operating income	31,568	31,096	63,305	62,701
Interest expense:				
Corporate debt	2,230	2,665	4,758	6,474
Dividends on Capital Securities of Delphi Funding L.L.C.	839	1,388	1,678	3,665
Income tax expense	<u>8,908</u>	<u>8,717</u>	<u>17,770</u>	<u>16,901</u>
Income before realized investment gains and extraordinary (loss) gain	19,591	18,326	39,099	35,661
Realized investment gains, net of taxes	141	146	203	439
Extraordinary (loss) gain, net of taxes	<u>(216)</u>	<u>3,196</u>	<u>(216)</u>	<u>6,213</u>
Net income	<u>\$ 19,516</u>	<u>\$ 21,668</u>	<u>\$ 39,086</u>	<u>\$ 42,313</u>
Basic results per share of common stock:				
Income before realized investment gains and extraordinary (loss) gain	\$ 0.94	\$ 0.89	\$ 1.89	\$ 1.74
Realized investment gains, net of taxes	0.01	0.01	0.01	0.02
Extraordinary (loss) gain, net of taxes	<u>(0.01)</u>	<u>0.16</u>	<u>(0.01)</u>	<u>0.30</u>
Net income	<u>\$ 0.94</u>	<u>\$ 1.06</u>	<u>\$ 1.89</u>	<u>\$ 2.06</u>
Weighted average shares outstanding	20,728	20,534	20,708	20,531
Diluted results per share of common stock:				
Income before realized investment gains and extraordinary (loss) gain	\$ 0.92	\$ 0.87	\$ 1.84	\$ 1.69
Realized investment gains, net of taxes	0.01	0.01	0.01	0.02
Extraordinary (loss) gain, net of taxes	<u>(0.01)</u>	<u>0.15</u>	<u>(0.01)</u>	<u>0.30</u>
Net income	<u>\$ 0.92</u>	<u>\$ 1.03</u>	<u>\$ 1.84</u>	<u>\$ 2.01</u>
Weighted average shares outstanding	21,322	21,078	21,238	21,084
Dividend paid per share of common stock	\$ 0.07	\$ 0.07	\$ 0.14	\$ 0.14

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

	<u>06/30/02</u>	<u>12/31/01</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 2,333,550	\$ 2,223,789
Short-term investments	163,087	92,862
Other investments	<u>129,725</u>	<u>110,563</u>
	2,626,362	2,427,214
Cash	13,839	11,682
Cost of business acquired	170,371	168,894
Reinsurance receivables	392,020	388,910
Goodwill	93,929	93,929
Other assets	174,992	171,834
Assets held in separate account	<u>72,613</u>	<u>73,683</u>
Total assets	<u>\$ 3,544,126</u>	<u>\$ 3,336,146</u>
Liabilities and shareholders' equity:		
Policy liabilities and accruals	\$ 1,342,553	\$ 1,279,652
Policyholder account balances	829,860	817,543
Corporate debt	122,150	125,675
Other liabilities and policyholder funds	522,213	431,871
Liabilities related to separate account	<u>62,503</u>	<u>63,361</u>
Total liabilities	2,879,279	2,718,102
Capital Securities of Delphi Funding L.L.C.	36,050	36,050
Shareholders' equity	<u>628,797</u>	<u>581,994</u>
Total liabilities and shareholders' equity	<u>\$ 3,544,126</u>	<u>\$ 3,336,146</u>
Diluted book value per share of common stock	\$ 30.77	\$ 28.50
Diluted book value per share of common stock before net unrealized depreciation on investments	\$ 30.90	\$ 28.97