

Press Release

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

For Immediate Release
7/26/05

Delphi Financial Reports Second Quarter 2005 Operating EPS up 14% to \$0.90 and Net Income per Share Reaches \$0.96; Key Asset and Equity Milestones Reached

Wilmington, Delaware – July 26, 2005 – Delphi Financial Group, Inc. (NYSE: DFG) announced today that net income in the second quarter of 2005 was \$32.0 million, or \$0.96 per share, compared to \$27.1 million, or \$0.82 per share, in the second quarter of 2004. Net income in the second quarter of 2005 included after-tax realized investment gains of \$2.2 million, or \$0.06 per share, while net income in the second quarter of 2004 included after-tax realized investment gains of \$1.3 million, or \$0.03 per share. For the first half of 2005, net income was \$62.1 million, or \$1.87 per share, compared with net income in the first half of 2004 of \$57.8 million, or \$1.76 per share. Net income in the first half of 2005 included after-tax realized investment gains of \$3.3 million, or \$0.10 per share, while net income in the first half of 2004 included after-tax realized investment gains of \$4.7 million, or \$0.14 per share.

Operating earnings⁽¹⁾ in the second quarter of 2005 increased 15% to \$29.8 million from \$25.9 million in the second quarter of 2004, while operating earnings per share rose 14% to \$0.90 from \$0.79 a year ago. Operating earnings for the first half of 2005 were \$58.7 million, or \$1.77 per share, an increase of 11% from \$53.1 million, or \$1.62 per share, in the first half of 2004.

Core group employee benefit premiums in the second quarter of 2005 grew 21% from the second quarter a year ago, reaching \$230 million. This growth was driven by a 39% increase in group disability premiums at Delphi's Reliance Standard Life subsidiary and a 16% increase in premiums from excess workers' compensation insurance at Delphi's Safety National subsidiary. The combined ratio for the Company's group employee benefit products in the second quarter of 2005 was 94.2%, compared with 94.4% in the second quarter of 2004 and 94.7% for the full-year 2004.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "We were very pleased with Delphi's bottom line performance in the second quarter, which reflects both strong top line growth and improved margins in our insurance businesses. We were also pleased that Delphi achieved two significant milestones in the second quarter, as total assets surpassed \$5 billion and shareholders' equity surpassed \$1 billion. These milestones highlight the financial strength of our company and our successful track record in building value for shareholders in our 15 years as a public company."

Mr. Rosenkranz added, "We continue to capitalize on favorable market trends in our insurance businesses. Reliance Standard achieved a 22% increase in group disability production and 17% increase in group life production as we continue to expand our sales force focused on the attractive smaller case market. Our premium growth in group disability was boosted again by a strategic alliance we formed at the end of 2004

with several health insurers, in which Reliance Standard provides a turnkey disability product that provides us with significant alternative distribution to our small case niche. The market for Safety National's core product, excess workers' compensation for self-insured employers, remains hard and we continue to see few signs that the market will soften any time soon. Rates are holding steady, we continue to achieve solid increases in self-insured retentions, and Safety National achieved strong growth in production in the second quarter, which demonstrates that an ongoing firm market in primary workers' compensation insurance is continuing to drive employers to self-insure or remain self-insured."

Delphi's net investment income in the second quarter of 2005 rose 13% to \$55.2 million from \$48.7 million in the same quarter a year ago. Invested assets at June 30, 2005 were \$3.8 billion, an increase of 13% from \$3.3 billion at June 30, 2004. Delphi's total assets surpassed \$5 billion for the first time, reaching \$5.1 billion at June 30, 2005. The pre-tax equivalent yield on the Company's investment portfolio in the second quarter of 2005 was 6.2% compared to 6.1% for the second quarter of 2004. Delphi's shareholders' equity surpassed \$1 billion at the end of the second quarter, and book value per share rose to \$30.91 at June 30, 2005 compared with \$29.36 at December 31, 2004.

Conference Call

On July 27, 2005 at 11:00 AM (Eastern time), Delphi will broadcast the Company's second quarter 2005 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 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 online replay will be available on Delphi's website for one week beginning at approximately 1:00 PM (Eastern time) on July 27, 2005. Investors can also download Delphi's second quarter 2005 statistical supplement from the Company's website at 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 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" 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, 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. 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: group life, long-term and short-term disability, excess workers' compensation for self-insured employers, travel accident and dental. Delphi's asset accumulation business emphasizes individual fixed 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, which is a non-GAAP financial measure, consist of net income excluding after-tax realized investment gains and losses, as applicable. After-tax net realized investment gains were \$2.2 million and \$1.3 million, or \$0.06 per share and \$0.03 per share, for the second quarter of 2005 and 2004, respectively, and \$3.3 million and \$4.7 million, or \$0.10 per share and \$0.14 per share for the first half of 2005 and 2004, respectively. The Company believes that because realized investment gains and losses 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. Investment gains or losses may be realized based on management's decision to dispose of an investment, and investment losses may be realized based on management's judgment that a decline in the market value of an investment is other than temporary. Thus, realized investment gains and losses are not reflective of the Company's ongoing earnings capacity, and trends in the earnings of the Company's underlying insurance operations can be more clearly identified without the effects of these gains and losses. 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, realized investment gains and losses 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. All per share amounts are on a diluted basis.

-tables attached-

DELPHI FINANCIAL GROUP, INC.
Non-GAAP Financial Measures
Reconciliation to GAAP
(Unaudited; in thousands, except per share data)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>06/30/05</u>	<u>06/30/04</u>	<u>06/30/05</u>	<u>06/30/04</u>
<u>Income Statement Data</u>				
Operating earnings (Non-GAAP measure)	\$ 29,819	\$ 25,872	\$ 58,745	\$ 53,099
Net realized investment gains, net of taxes	<u>2,158</u>	<u>1,261</u>	<u>3,339</u>	<u>4,655</u>
Net income (GAAP measure)	<u>\$ 31,977</u>	<u>\$ 27,133</u>	<u>\$ 62,084</u>	<u>\$ 57,754</u>
Diluted results per share of common stock:				
Operating earnings (Non-GAAP measure)	\$ 0.90	\$ 0.79	\$ 1.77	\$ 1.62
Net realized investment gains, net of taxes	<u>0.06</u>	<u>0.03</u>	<u>0.10</u>	<u>0.14</u>
Net income (GAAP measure)	<u>\$ 0.96</u>	<u>\$ 0.82</u>	<u>\$ 1.87</u>	<u>\$ 1.76</u>
 <u>Balance Sheet Data</u>				
			<u>06/30/05</u>	<u>12/31/04</u>
Shareholders' equity, excluding accumulated other comprehensive income			\$ 952,865	\$ 882,477
Add: Accumulated other comprehensive income			<u>53,266</u>	<u>57,371</u>
Shareholders' equity (GAAP measure)			<u>\$ 1,006,131</u>	<u>\$ 939,848</u>
 Diluted book value per share of common stock, excluding accumulated other comprehensive income (Non-GAAP measure)				
			\$ 29.42	\$ 27.73
Add: Accumulated other comprehensive income			<u>1.49</u>	<u>1.63</u>
Diluted book value per share of common stock (GAAP measure)			<u>\$ 30.91</u>	<u>\$ 29.36</u>

Please see note 1 of the press release for a discussion regarding the usefulness of the non-GAAP financial measure "operating earnings." The Company believes that the non-GAAP financial measure "diluted book value per share excluding accumulated other comprehensive income" provides useful supplemental information because accumulated other comprehensive income fluctuates from period to period primarily due to changes in the value of its assets resulting from variations in market interest rates, while the values of its liabilities are not similarly marked to market under GAAP.

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

	Three Months Ended		Six Months Ended	
	<u>06/30/05</u>	<u>06/30/04</u>	<u>06/30/05</u>	<u>06/30/04</u>
Revenue:				
Premium and fee income	\$ 249,851	\$ 207,049	\$ 489,451	\$ 407,759
Net investment income	55,192	48,705	108,629	101,248
Net realized investment gains	3,320	1,941	5,137	7,162
	<u>308,363</u>	<u>257,695</u>	<u>603,217</u>	<u>516,169</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	185,690	153,570	364,263	303,672
Commissions and expenses	70,753	60,853	138,347	120,628
	<u>256,443</u>	<u>214,423</u>	<u>502,610</u>	<u>424,300</u>
Operating income	51,920	43,272	100,607	91,869
Interest expense:				
Corporate debt	4,261	3,475	7,931	6,911
Junior subordinated deferrable interest debentures	1,199	1,106	2,370	2,211
Income tax expense	14,483	11,558	28,222	24,993
Net income	<u>\$ 31,977</u>	<u>\$ 27,133</u>	<u>\$ 62,084</u>	<u>\$ 57,754</u>
Basic results per share of common stock:				
Net income	\$ 0.99	\$ 0.85	\$ 1.92	\$ 1.82
Weighted average shares outstanding	32,426	31,931	32,368	31,811
Diluted results per share of common stock:				
Net income	\$ 0.96	\$ 0.82	\$ 1.87	\$ 1.76
Weighted average shares outstanding	33,302	32,930	33,282	32,818
Dividends paid per share of common stock	\$ 0.09	\$ 0.08	\$ 0.18	\$ 0.16

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

	<u>6/30/05</u>	<u>12/31/04</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$3,104,115	\$3,049,013
Short-term investments	141,638	95,761
Other investments	<u>521,447</u>	<u>396,302</u>
	3,767,200	3,541,076
Cash	33,029	24,324
Cost of business acquired	222,059	212,549
Reinsurance receivables	416,149	428,707
Goodwill	93,929	93,929
Securities lending collateral	251,238	236,900
Other assets	225,660	203,777
Assets held in separate account	<u>91,451</u>	<u>88,205</u>
Total assets	<u><u>\$5,100,715</u></u>	<u><u>\$4,829,467</u></u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$1,757,221	\$1,663,903
Policyholder account balances	1,037,072	1,024,577
Corporate debt	184,750	157,750
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	59,762	59,762
Securities lending payable	251,238	236,900
Other liabilities and policyholder funds	713,090	658,522
Liabilities related to separate account	<u>91,451</u>	<u>88,205</u>
Total liabilities	4,094,584	3,889,619
Shareholders' equity:		
Class A Common Stock	308	304
Class B Common Stock	39	39
Additional paid-in capital	420,942	406,908
Accumulated other comprehensive income	53,266	57,371
Retained earnings	590,890	534,540
Treasury stock, at cost	<u>(59,314)</u>	<u>(59,314)</u>
Total liabilities and shareholders' equity	<u><u>\$5,100,715</u></u>	<u><u>\$4,829,467</u></u>

DELPHI FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	<u>06/30/05</u>	<u>06/30/04</u>
Operating activities:		
Net income	\$ 62,084	\$ 57,754
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	105,025	82,345
Net change in reinsurance receivables and payables	8,593	424
Amortization, principally the cost of business acquired and investments	30,522	19,689
Deferred costs of business acquired	(44,481)	(42,861)
Net realized gains on investments	(5,137)	(7,162)
Net change in trading account securities	(22,631)	4,049
Net change in federal income tax liability	13,171	14,447
Other	<u>(12,265)</u>	<u>(16,200)</u>
Net cash provided by operating activities	<u>134,881</u>	<u>112,485</u>
Investing activities:		
Purchases of investments and loans made	(1,018,057)	(1,079,209)
Sales of investments and receipts from repayment of loans	793,179	846,283
Maturities of investments	115,663	83,530
Net change in short-term investments	(45,873)	11,039
Change in deposit in separate account	<u>(4,325)</u>	<u>(2,432)</u>
Net cash used by investing activities	<u>(159,413)</u>	<u>(140,789)</u>
Financing activities:		
Deposits to policyholder accounts	52,148	73,316
Withdrawals from policyholder accounts	(49,151)	(43,304)
Borrowings under revolving credit facility	32,000	27,000
Principal payments under revolving credit facility	(5,000)	(5,000)
Change in liability for Federal Home Loan Bank advances	-	(20,000)
Other financing activities	<u>3,240</u>	<u>6,491</u>
Net cash provided by financing activities	<u>33,237</u>	<u>38,503</u>
Increase in cash	8,705	10,199
Cash at beginning of period	<u>24,324</u>	<u>18,733</u>
Cash at end of period	<u>\$ 33,029</u>	<u>\$ 28,932</u>