

Press Release

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Delphi Financial Reports Third Quarter 2005 Results; Will Exit Non-Core Property Reinsurance Business

Wilmington, Delaware – October 25, 2005 – Delphi Financial Group, Inc. (NYSE: DFG) announced today that net income in the third quarter of 2005 was \$22.0 million or \$0.65 per share⁽¹⁾, compared to \$32.2 million or \$0.98 per share in the third quarter of 2004. Net income in the third quarters of 2005 and 2004 included after-tax realized investment gains of \$2.2 million or \$0.06 per share, and \$0.9 million or \$0.03 per share, respectively. For the first nine months of 2005, net income was \$84.1 million or \$2.52 per share, compared with \$89.9 million or \$2.74 per share, in the first nine months of 2004. Net income in the first nine months of 2005 and 2004 included after-tax realized investment gains of \$5.5 million or \$0.17 per share, and \$5.6 million or \$0.17 per share, respectively.

Operating earnings⁽²⁾ in the third quarter of 2005 were \$19.8 million or \$0.59 per share, compared to \$31.2 million or \$0.95 per share in the third quarter of 2004. Operating earnings for the first nine months of 2005 were \$78.6 million or \$2.35 per share, compared to \$84.3 million or \$2.57 per share in the first nine months of 2004.

Delphi's net income and operating earnings in the third quarter and first nine months of 2005 included losses of \$12.2 million or \$0.36 per share net of taxes and reinstatement premiums in the company's non-core property catastrophe reinsurance business, which cover the company's maximum exposure to Hurricane Katrina. Delphi's net income and operating earnings in the third quarter and first nine months of 2004 benefited from a reduction of federal income taxes payable of approximately \$4.6 million or \$0.14 per share.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "Excluding the impact of the Katrina losses, Delphi's third quarter operating earnings per share were \$0.95, which is above the \$0.91 to \$0.93 range of guidance we provided in July. This reflects the excellent results in our core insurance businesses, which are achieving strong premium growth, robust new production and higher margins as we capitalize on positive market trends. In particular, we are benefiting from improved profitability in group long-term disability at Reliance Standard Life and a continued hard market for excess workers' compensation at Safety National. Our two most profitable insurance lines are also our fastest growing lines, with third-quarter production in excess workers' compensation up 56% and group disability up 43%. Based on these ongoing trends and our positive momentum, we remain confident in our outlook for strong earnings growth in our core insurance businesses in the fourth quarter of 2005 and in 2006."

Mr. Rosenkranz added, "After a thorough analysis of our non-core property reinsurance business, we have decided not to participate in this business in the future. This was a difficult decision. We have assembled an excellent, highly experienced underwriting team that has managed this business profitably on a cumulative basis since inception, even after the largest insured loss in history. Post-Katrina, pricing and terms are improved, and the economic outlook for the line is attractive. Nonetheless, we concluded it was not a good strategic fit, since clearly the market perceives it as a risk to our core focus on building shareholder value by delivering consistent, predictable earnings growth."

Core group employee benefit premiums in the third quarter of 2005 grew 19% from the third quarter a year ago, reaching \$237 million. This growth was driven by a 34% increase in group disability premiums at Delphi's Reliance Standard Life subsidiary and a 12% 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 third quarter of 2005 was 100.7%, compared with 93.8% in the third quarter of 2004 and 94.7% for the full-year 2004. Excluding the impact of non-core property reinsurance losses, the combined ratio in the third quarter of 2005 would have been 93.1%.

Delphi's net investment income in the third quarter of 2005 was \$55.3 million, a gain of 15% from \$48.2 million in the same quarter a year ago. Invested assets at September 30, 2005 were \$3.8 billion, an increase of 9% from \$3.5 billion at September 30, 2004. The pre-tax equivalent yield on the Company's investment portfolio in the third quarter of 2005 was 6.1% compared to 5.9% for the third quarter of 2004. Delphi's shareholders' equity was \$1.0 billion at the end of the third quarter, and book value per share rose to \$30.90 at September 30, 2005 from \$29.36 at December 31, 2004.

Conference Call

On October 26, 2005 at 11:00 AM (Eastern time), Delphi will broadcast the Company's third 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 October 26, 2005. Investors can also download Delphi's third 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," "outlook" 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⁾ All per share amounts are on a diluted basis.

⁽²⁾ 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 \$0.9 million, or \$0.06 per share and \$0.03 per share, for the third quarter of 2005 and 2004, respectively, and \$5.5 million and \$5.6 million, or \$0.17 per share and \$0.17 per share, for the first nine months 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.

-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>Nine Months Ended</u> | |
|--|---------------------------|------------------|--------------------------|-------------------|
| | <u>09/30/05</u> | <u>09/30/04</u> | <u>09/30/05</u> | <u>09/30/04</u> |
| <u>Income Statement Data</u> | | | | |
| Operating earnings (Non-GAAP measure) | \$ 19,824 | \$ 31,247 | \$ 78,569 | \$ 84,346 |
| Net realized investment gains, net of taxes | 2,208 | 932 | 5,547 | 5,587 |
| Net income (GAAP measure) | <u>\$ 22,032</u> | <u>\$ 32,179</u> | <u>\$ 84,116</u> | <u>\$ 89,933</u> |
| Diluted results per share of common stock: | | | | |
| Operating earnings (Non-GAAP measure) | \$ 0.59 | \$ 0.95 | \$ 2.35 | \$ 2.57 |
| Net realized investment gains, net of taxes | 0.06 | 0.03 | 0.17 | 0.17 |
| Net income (GAAP measure) | <u>\$ 0.65</u> | <u>\$ 0.98</u> | <u>\$ 2.52</u> | <u>\$ 2.74</u> |
| <u>Balance Sheet Data</u> | | | | |
| | | | <u>09/30/05</u> | <u>12/31/04</u> |
| Shareholders' equity, excluding accumulated other comprehensive income | | | \$ 987,172 | \$ 882,477 |
| Add: Accumulated other comprehensive income | | | 29,198 | 57,371 |
| Shareholders' equity (GAAP measure) | | | <u>\$ 1,016,370</u> | <u>\$ 939,848</u> |
| Diluted book value per share of common stock, excluding accumulated other comprehensive income (Non-GAAP measure) | | | \$ 30.08 | \$ 27.73 |
| Add: Accumulated other comprehensive income | | | 0.82 | 1.63 |
| Diluted book value per share of common stock (GAAP measure) | | | <u>\$ 30.90</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.

NOTE: See Footnote A of the Income Statement regarding the third quarter and the first nine months of 2005 and 2004.

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

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------|-------------------|------------|
| | 09/30/05 | 09/30/04 | 09/30/05 | 09/30/04 |
| Revenue: | | | | |
| Premium and fee income | \$ 257,317 | \$ 210,292 | \$ 746,768 | \$ 618,051 |
| Net investment income | 55,250 | 48,220 | 163,879 | 149,468 |
| Net realized investment gains | 3,397 | 1,433 | 8,534 | 8,595 |
| | 315,964 | 259,945 | 919,181 | 776,114 |
| Benefits and expenses: | | | | |
| Benefits, claims and interest credited to policyholders | 204,677 | 152,312 | 568,940 | 455,984 |
| Commissions and expenses | 75,457 | 63,527 | 213,804 | 184,155 |
| | 280,134 | 215,839 | 782,744 | 640,139 |
| Operating income | 35,830 | 44,106 | 136,437 | 135,975 |
| Interest expense: | | | | |
| Corporate debt | 3,781 | 3,548 | 11,712 | 10,459 |
| Junior subordinated deferrable interest debentures | 1,229 | 1,124 | 3,599 | 3,335 |
| Income tax expense (A) | 8,788 | 7,255 | 37,010 | 32,248 |
| Net income (A) | \$ 22,032 | \$ 32,179 | \$ 84,116 | \$ 89,933 |
| Basic results per share of common stock: | | | | |
| Net income | \$ 0.67 | \$ 1.00 | \$ 2.58 | \$ 2.82 |
| Weighted average shares outstanding | 32,900 | 32,028 | 32,545 | 31,883 |
| Diluted results per share of common stock: | | | | |
| Net income | \$ 0.65 | \$ 0.98 | \$ 2.52 | \$ 2.74 |
| Weighted average shares outstanding | 33,709 | 32,999 | 33,425 | 32,878 |
| Dividends paid per share of common stock | \$ 0.09 | \$ 0.08 | \$ 0.27 | \$ 0.24 |

(A) Results in the third quarter and first nine months of 2005 included losses, net of taxes and reinstatement premiums, of \$12.2 million (\$0.36 per diluted share), in the Company's non-core property catastrophe reinsurance business which cover the Company's maximum exposure to Hurricane Katrina. Results in the third quarter and first nine months of 2004 included a release of federal income taxes payable of approximately \$4.6 million (\$0.14 per diluted share) from the favorable resolution of prior years' tax audits.

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

| | <u>9/30/05</u> | <u>12/31/04</u> |
|---|---------------------------|---------------------------|
| Assets: | | |
| Investments: | | |
| Fixed maturity securities, available for sale | \$3,144,090 | \$3,049,013 |
| Short-term investments | 140,338 | 95,761 |
| Other investments | <u>537,504</u> | <u>396,302</u> |
| | 3,821,932 | 3,541,076 |
| Cash | 25,956 | 24,324 |
| Cost of business acquired | 242,249 | 212,549 |
| Reinsurance receivables | 413,416 | 428,707 |
| Goodwill | 93,929 | 93,929 |
| Securities lending collateral | 246,137 | 236,900 |
| Other assets | 245,777 | 203,777 |
| Assets held in separate account | <u>96,168</u> | <u>88,205</u> |
| Total assets | <u><u>\$5,185,564</u></u> | <u><u>\$4,829,467</u></u> |
| Liabilities and Shareholders' Equity: | | |
| Policy liabilities and accruals | \$1,823,598 | \$1,663,903 |
| Policyholder account balances | 1,040,309 | 1,024,577 |
| Corporate debt | 178,750 | 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 | 246,137 | 236,900 |
| Other liabilities and policyholder funds | 724,470 | 658,522 |
| Liabilities related to separate account | <u>96,168</u> | <u>88,205</u> |
| Total liabilities | 4,169,194 | 3,889,619 |
| Shareholders' equity: | | |
| Class A Common Stock | 312 | 304 |
| Class B Common Stock | 39 | 39 |
| Additional paid-in capital | 436,137 | 406,908 |
| Accumulated other comprehensive income | 29,198 | 57,371 |
| Retained earnings | 609,998 | 534,540 |
| Treasury stock, at cost | <u>(59,314)</u> | <u>(59,314)</u> |
| Total liabilities and shareholders' equity | <u><u>\$5,185,564</u></u> | <u><u>\$4,829,467</u></u> |

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

| | <u>09/30/05</u> | <u>09/30/04</u> |
|--|------------------|------------------|
| Operating activities: | | |
| Net income | \$ 84,116 | \$ 89,933 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Change in policy liabilities and policyholder accounts | 196,872 | 145,556 |
| Net change in reinsurance receivables and payables | 10,608 | (1,422) |
| Amortization, principally the cost of business acquired and investments | 46,571 | 33,087 |
| Deferred costs of business acquired | (69,739) | (66,814) |
| Net realized gains on investments | (8,534) | (8,595) |
| Net change in federal income tax liability | 8,614 | 17,635 |
| Other | (59,614) | (43,007) |
| Net cash provided by operating activities | <u>208,894</u> | <u>166,373</u> |
| Investing activities: | | |
| Purchases of investments and loans made | (1,460,493) | (1,524,817) |
| Sales of investments and receipts from repayment of loans | 1,142,110 | 1,109,869 |
| Maturities of investments | 134,023 | 167,555 |
| Net change in short-term investments | (44,566) | 21,632 |
| Change in deposit in separate account | (3,033) | (2,440) |
| Net cash used by investing activities | <u>(231,959)</u> | <u>(228,201)</u> |
| Financing activities: | | |
| Deposits to policyholder accounts | 80,229 | 114,830 |
| Withdrawals from policyholder accounts | (76,031) | (66,332) |
| Borrowings under revolving credit facility | 32,000 | 32,000 |
| Principal payments under revolving credit facility | (11,000) | (5,000) |
| Change in liability for Federal Home Loan Bank advances | (15,000) | (15,000) |
| Other financing activities | 14,499 | 6,936 |
| Net cash provided by financing activities | <u>24,697</u> | <u>67,434</u> |
| Increase in cash | 1,632 | 5,606 |
| Cash at beginning of period | <u>24,324</u> | <u>18,733</u> |
| Cash at end of period | <u>\$ 25,956</u> | <u>\$ 24,339</u> |