

For Immediate Release

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Delphi Financial Reports 16% Increase in Third Quarter Operating EPS to \$0.71; Net Income Per Share Reaches \$0.71

Wilmington, Delaware – October 24, 2006 – Delphi Financial Group, Inc. (NYSE: DFG) announced today that net income in the third quarter of 2006 was \$36.2 million or \$0.71 per share, compared to \$22.0 million or \$0.44 per share in the third quarter of 2005. In the third quarter of 2005, net income per share included after-tax realized investment gains of \$0.04 and losses from discontinued operations of \$(0.21). Prior period per share amounts have been restated to reflect the 3-for-2 common stock split effected on June 1, 2006.

Operating earnings⁽¹⁾ in the third quarter of 2006 increased 19% to \$36.4 million from \$30.6 million in the third quarter of 2005. Operating earnings per share rose 16% to \$0.71 from \$0.61 a year ago. Operating earnings for the first nine months of 2006 increased 21% to \$106.0 million compared to \$87.5 million a year ago, while operating earnings per share grew 19% to \$2.09 per share from \$1.75 per share in the first nine months of 2005.

For the first nine months of 2006, net income was \$101.9 million or \$2.00 per share, compared with \$84.1 million or \$1.68 per share in the first nine months of 2005. Net income in the first nine months of 2006 included after-tax realized investment losses of \$(1.2) million or \$(0.03) per share and losses from discontinued operations of \$(2.9) million or \$(0.06) per share. Net income in the first nine months of 2005 included after-tax realized investment gains of \$5.5 million or \$0.11 per share and losses from discontinued operations of \$(9.0) million or \$(0.18) per share.

Core group employee benefit premiums in the third quarter of 2006 grew 18% from the third quarter a year ago, reaching \$280 million. This growth was driven by a 21% increase in premiums from excess workers' compensation insurance at Delphi's Safety National subsidiary and a 20% increase in group disability premiums at Delphi's Reliance Standard Life (RSL) subsidiary. The combined ratio for the Company's group employee benefit products in the third quarter of 2006 was 93.3%, which was unchanged from the third quarter of 2005 and down from 94.1% for full-year 2005.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "Delphi's excellent financial results reflect continued growth and improved margins in our insurance operations and strong investment performance in the quarter. Our premium growth continued to benefit from strategic initiatives implemented over the past two years to expand our distribution and strengthen our market leadership positions. The CDS division of RSL, established in April to lead RSL's expansion in the

attractive turnkey group disability market, made a strong contribution to our premium growth in the third quarter. Safety National's solid growth in excess workers' compensation production was boosted by renewals of former excess workers' compensation clients of Employers Re, for which we purchased renewal rights in July 2005."

Mr. Rosenkranz added, "We are continuing to capitalize on positive market trends in our insurance businesses, including the ongoing hard market for excess workers' compensation and the favorable climate for our small-case niche at Reliance Standard. As a result, we remain confident in our outlook for strong earnings growth in the remainder of 2006 and heading into next year."

Delphi's net investment income in the third quarter of 2006 was \$66.2 million, a gain of 23% from \$53.8 million in the same quarter a year ago. Invested assets at September 30, 2006 were \$4.3 billion, an increase of 13% from \$3.8 billion at September 30, 2005. The pre-tax equivalent yield on the Company's investment portfolio in the third quarter of 2006 was 6.6% compared to 5.9% for the third quarter of 2005. Delphi's shareholders' equity was \$1.1 billion at the end of the third quarter, and book value per share before accumulated other comprehensive income ⁽²⁾ rose to \$22.52 at September 30, 2006 compared with \$20.58 at December 31, 2005.

Conference Call

On October 25, 2006 at 11:00 AM (Eastern time), Delphi will broadcast the Company's third quarter 2006 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 25, 2006. Investors can also download Delphi's third quarter 2006 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⁾ Operating earnings, which is a non-GAAP financial measure, consist of income from continuing operations excluding after-tax realized investment gains and losses, as applicable. After-tax net realized investment (losses) gains were \$(0.2) million and \$2.2 million, or \$0.00 per share and \$0.04 per share, for the third quarter of 2006 and 2005, respectively, and \$(1.2) million and \$5.5 million, or \$(0.03) per share and \$0.11 per share for the first nine months of 2006 and 2005, respectively. After-tax income (loss) from discontinued operations was \$1,000 and \$(10.8) million, or \$0.00 per share and \$(0.21) per share, for the third quarter of 2006 and 2005, respectively, and \$(2.9) million and \$(9.0) million, or \$(0.06) per share and \$(0.18) per share for the first nine months of 2006 and 2005, respectively. The Company believes that because realized investment gains and losses and discontinued operations 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. Discontinued operations occur based on management's decision to exit or sell a particular business. Thus, realized investment gains and losses and results from discontinued operations 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 items. 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, gains and losses of these types, particularly as to investments, 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.

⁽²⁾ Diluted book value per share before accumulated other comprehensive income, which is a non-GAAP financial measure, is based on shareholders' equity excluding the effect of accumulated other comprehensive income. The Company believes that, 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, this non-GAAP measure is useful in analyzing the Company's operating trends.

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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>09/30/2006</u>	<u>09/30/2005</u>	<u>09/30/2006</u>	<u>09/30/2005</u>
<u>Income Statement Data</u>				
Operating earnings (Non-GAAP measure)	\$ 36,386	\$ 30,630	\$ 106,046	\$ 87,528
Net realized investment (losses) gains, net of taxes	<u>(218)</u>	<u>2,208</u>	<u>(1,222)</u>	<u>5,547</u>
Income from continuing operations	36,168	32,838	104,824	93,075
Discontinued operations, net of taxes	<u>1</u>	<u>(10,806)</u>	<u>(2,932)</u>	<u>(8,959)</u>
Net income (GAAP measure)	<u>\$ 36,169</u>	<u>\$ 22,032</u>	<u>\$ 101,892</u>	<u>\$ 84,116</u>
Diluted results per share of common stock:				
Operating earnings (Non-GAAP measure)	\$ 0.71	\$ 0.61	\$ 2.09	\$ 1.75
Net realized investment (losses) gains, net of taxes	<u>-</u>	<u>0.04</u>	<u>(0.03)</u>	<u>0.11</u>
Income from continuing operations	0.71	0.65	2.06	1.86
Discontinued operations, net of taxes	<u>-</u>	<u>(0.21)</u>	<u>(0.06)</u>	<u>(0.18)</u>
Net income (GAAP measure)	<u>\$ 0.71</u>	<u>\$ 0.44</u>	<u>\$ 2.00</u>	<u>\$ 1.68</u>
<u>Balance Sheet Data</u>				
			<u>09/30/2006</u>	<u>12/31/2005</u>
Shareholders' equity, excluding accumulated other comprehensive income (Non-GAAP measure)			\$ 1,115,502	\$ 1,012,775
Add: Accumulated other comprehensive income			<u>17,001</u>	<u>20,264</u>
Shareholders' equity (GAAP measure)			<u>\$ 1,132,503</u>	<u>\$ 1,033,039</u>
Diluted book value per share of common stock, excluding accumulated other comprehensive income (Non-GAAP measure)			\$ 22.52	\$ 20.58
Add: Accumulated other comprehensive income			<u>0.32</u>	<u>0.38</u>
Diluted book value per share of common stock (GAAP measure)			<u>\$ 22.84</u>	<u>\$ 20.96</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: Prior period results have been restated for discontinued operations attributable to assumed property reinsurance. Prior period results per share and applicable share amounts have been restated to reflect the 3-for-2 common stock split effected in the form of a 50% stock dividend distributed on June 1, 2006.

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

	Three Months Ended		Nine Months Ended	
	09/30/2006	09/30/2005	09/30/2006	09/30/2005
Revenue:				
Premium and fee income	\$ 295,190	\$ 250,649	\$ 838,419	\$ 732,603
Net investment income	66,159	53,843	185,974	162,293
Net realized investment (losses) gains	(335)	3,397	(1,880)	8,534
	<u>361,014</u>	<u>307,889</u>	<u>1,022,513</u>	<u>903,430</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	217,322	180,644	612,961	541,157
Commissions and expenses	85,314	74,790	239,954	212,053
	<u>302,636</u>	<u>255,434</u>	<u>852,915</u>	<u>753,210</u>
Operating income	58,378	52,455	169,598	150,220
Interest expense:				
Corporate debt	5,250	3,781	15,029	11,712
Junior subordinated deferrable interest debentures	1,319	1,229	3,887	3,599
Income tax expense	15,641	14,607	45,858	41,834
	<u>36,168</u>	<u>32,838</u>	<u>104,824</u>	<u>93,075</u>
Income from continuing operations	36,168	32,838	104,824	93,075
Discontinued operations, net of taxes	1	(10,806)	(2,932)	(8,959)
Net income	<u>\$ 36,169</u>	<u>\$ 22,032</u>	<u>\$ 101,892</u>	<u>\$ 84,116</u>
Basic results per share of common stock:				
Income from continuing operations	\$ 0.73	\$ 0.67	\$ 2.12	\$ 1.91
Discontinued operations	-	(0.22)	(0.06)	(0.19)
Net income	0.73	0.45	2.06	1.72
Weighted average shares outstanding	49,652	49,350	49,531	48,818
Diluted results per share of common stock:				
Income from continuing operations	\$ 0.71	\$ 0.65	\$ 2.06	\$ 1.86
Discontinued operations	-	(0.21)	(0.06)	(0.18)
Net income	0.71	0.44	2.00	1.68
Weighted average shares outstanding	50,926	50,564	50,824	50,138
Dividends paid per share of common stock	\$ 0.08	\$ 0.06	\$ 0.23	\$ 0.18

NOTE: Prior period results have been restated for discontinued operations attributable to assumed property reinsurance. Prior period results per share and applicable share amounts have been restated to reflect the 3-for-2 common stock split effected in the form of a 50% stock dividend distributed on June 1, 2006.

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

	<u>09/30/2006</u>	<u>12/31/2005</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$3,329,065	\$3,244,764
Short-term investments	297,276	94,308
Other investments	<u>695,147</u>	<u>573,532</u>
	4,321,488	3,912,604
Cash	45,496	28,493
Cost of business acquired	269,179	248,138
Reinsurance receivables	404,970	413,113
Goodwill	93,929	93,929
Securities lending collateral	250,379	244,821
Other assets	263,778	235,644
Assets held in separate account	<u>107,334</u>	<u>99,428</u>
Total assets	<u><u>\$5,756,553</u></u>	<u><u>\$5,276,170</u></u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$2,021,813	\$1,862,872
Policyholder account balances	1,126,273	1,039,610
Corporate debt	263,750	234,750
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	59,762	59,762
Securities lending payable	250,379	244,821
Other liabilities and policyholder funds	794,739	701,888
Liabilities related to separate account	<u>107,334</u>	<u>99,428</u>
Total liabilities	4,624,050	4,243,131
Shareholders' equity:		
Class A Common Stock	479	313
Class B Common Stock	57	39
Additional paid-in capital	470,797	442,531
Accumulated other comprehensive income	17,001	20,264
Retained earnings	727,139	636,285
Treasury stock, at cost	<u>(82,970)</u>	<u>(66,393)</u>
Total liabilities and shareholders' equity	<u><u>\$5,756,553</u></u>	<u><u>\$5,276,170</u></u>

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

	Nine Months Ended	
	09/30/2006	09/30/2005
Operating activities:		
Net income	\$ 101,892	\$ 84,116
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	197,987	196,872
Net change in reinsurance receivables and payables	3,523	10,608
Amortization, principally the cost of business acquired and investments	50,397	46,571
Deferred costs of business acquired	(77,473)	(69,739)
Net realized losses (gains) on investments	1,880	(8,534)
Net change in federal income tax liability	12,193	8,614
Other	(38,463)	(59,614)
Net cash provided by operating activities	251,936	208,894
Investing activities:		
Purchases of investments and loans made	(898,282)	(1,460,493)
Sales of investments and receipts from repayment of loans	597,301	1,142,110
Maturities of investments	168,327	134,023
Net change in short-term investments	(202,886)	(44,566)
Change in deposit in separate account	(2,234)	(3,033)
Net cash used by investing activities	(337,774)	(231,959)
Financing activities:		
Deposits to policyholder accounts	178,231	80,229
Withdrawals from policyholder accounts	(98,778)	(76,031)
Borrowings under revolving credit facility	31,000	32,000
Principal payments under revolving credit facility	(2,000)	(11,000)
Change in liability for Federal Home Loan Bank advances	-	(15,000)
Other financing activities	(5,612)	14,499
Net cash provided by financing activities	102,841	24,697
Increase in cash	17,003	1,632
Cash at beginning of period	28,493	24,324
Cash at end of period	\$ 45,496	\$ 25,956