

Press Release

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Delphi Financial Reports 3Q Operating EPS of \$0.76 After Including \$0.12 of World Trade Center Losses

Wilmington, Delaware – October 23, 2001 -- Delphi Financial Group, Inc. (NYSE: DFG) today announced third quarter 2001 operating earnings⁽¹⁾ of \$0.76 per share, or \$16.1 million, after including losses related to the World Trade Center attacks totaling \$2.5 million, or \$0.12 per share, on an after-tax basis and net of reinsurance. Excluding the World Trade Center losses, the Company's operating earnings would have been \$.88 per share, which is in line with the range of guidance that the Company provided in July. Net income for the quarter including the World Trade Center losses was \$0.61 per share, or \$12.8 million. Net income includes realized investment losses of \$0.21 per share and a \$0.06 per share extraordinary gain on the repurchase of Capital Securities.

As anticipated, the deleveraging strategy that Delphi initiated in the fourth quarter of 2000 to reduce investment activities at the holding company and emphasize the Company's insurance operations had the effect of reducing operating earnings per share in the third quarter compared with last year. The Company substantially completed its deleveraging strategy during the first half of 2001 by repaying \$150 million of bank debt and repurchasing \$54.0 million of Capital Securities. In the third quarter of 2001, the Company repurchased an additional \$10.0 million of Capital Securities. At September 30, 2001, the ratio of debt to total capitalization was 15%, down from 30% at the end of 2000. Book value per share increased to \$30.23 at September 30, 2001 from \$26.87 at the end of 2000.

Delphi reported solid performance in its insurance operations in the third quarter, with core group employee benefit premiums increasing 13% from the same period a year ago. New core premium production was \$35.4 million, down 10% from a very strong third quarter of 2000, but up 17% from the second quarter of this year. The group employee benefits combined ratio, excluding the World Trade Center losses, was 92.5% in the third quarter, in line with the strong results reported for the first half of 2001 and full year of 2000. Sales of annuity products totaled \$22.7 million for the third quarter. The pre-tax equivalent yield on the Company's investment portfolio was 6.8% for the third quarter of 2001.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "Delphi's results in the third quarter clearly demonstrate the benefits of our change in corporate strategy, as investors can more easily grasp our reduced risk levels and the underlying strength in our insurance operations. We were pleased that operating earnings, excluding the losses we recognized from the tragic attacks on the World Trade Center, were in line with our guidance for the quarter and return on average equity of 12% was in line with our target of 11 – 13%. In addition, our reduced leverage at the parent company resulted in recent rating upgrades from Fitch on Delphi's senior debt and Capital Securities."

Operating earnings⁽¹⁾ for the first nine months of 2001 were \$2.45 per share, or \$51.7 million, including the World Trade Center losses of \$2.5 million, or \$0.12 per share. Core group employee benefit premiums grew 13% over the first nine months of 2000. The group employee benefits combined ratio, excluding the World Trade Center losses, was 92.4% in the first nine months of 2001, in line with the strong results reported during 2000. Net income for the

first nine months of 2001 was \$2.61 per share, or \$55.1 million, including the World Trade Center losses. Net income includes realized investment losses of \$0.19 per share and a \$0.35 per share extraordinary gain on the repurchase of Capital Securities.

On October 24, 2001 at 11:00 AM (Eastern Daylight Time), Delphi will broadcast the Company's third quarter 2001 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 Daylight Time) on October 24, 2001.

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.

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, and market pricing and competitive trends relating to insurance products and services, 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.

⁽¹⁾ Operating earnings exclude after-tax realized investment losses and extraordinary gain. All per share amounts are on a diluted basis.

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

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|--|---------------------------|------------------|--------------------------|------------------|
| | <u>09/30/01</u> | <u>09/30/00</u> | <u>09/30/01</u> | <u>09/30/00</u> |
| Revenue: | | | | |
| Premium and fee income | \$ 127,068 | \$ 120,961 | \$ 372,886 | \$ 345,843 |
| Net investment income | <u>38,397</u> | <u>45,687</u> | <u>116,896</u> | <u>142,899</u> |
| | <u>165,465</u> | <u>166,648</u> | <u>489,782</u> | <u>488,742</u> |
| Benefits and expenses: | | | | |
| Benefits, claims and interest credited to policyholders ... | 96,972 | 88,225 | 276,841 | 255,900 |
| Commissions and expenses | <u>41,303</u> | <u>37,674</u> | <u>123,050</u> | <u>111,281</u> |
| | <u>138,275</u> | <u>125,899</u> | <u>399,891</u> | <u>367,181</u> |
| Operating income | 27,190 | 40,749 | 89,891 | 121,561 |
| Interest expense: | | | | |
| Corporate debt | 2,539 | 5,357 | 9,013 | 16,096 |
| Dividends on Capital Securities of Delphi Funding L.L.C. 6,983 | | 1,072 | 2,328 | 4,737 |
| Income tax expense | <u>7,505</u> | <u>10,418</u> | <u>24,406</u> | <u>30,625</u> |
| Income before realized investment losses and extraordinary gain | 16,074 | 22,646 | 51,735 | 67,857 |
| Realized investment losses, net of taxes | (4,502) | (1,344) | (4,063) | (2,353) |
| Extraordinary gain, net of taxes | <u>1,233</u> | <u>-</u> | <u>7,446</u> | <u>-</u> |
| Net income | <u>\$ 12,805</u> | <u>\$ 21,302</u> | <u>\$ 55,118</u> | <u>\$ 65,504</u> |
| Basic results per share of common stock: | | | | |
| Income before realized investment losses and extraordinary gain | \$ 0.78 | \$ 1.11 | \$ 2.52 | \$ 3.33 |
| Realized investment losses, net of taxes | (0.22) | (0.06) | (0.20) | (0.11) |
| Extraordinary gain, net of taxes | <u>0.06</u> | <u>-</u> | <u>0.36</u> | <u>-</u> |
| Net income | <u>\$ 0.62</u> | <u>\$ 1.05</u> | <u>\$ 2.68</u> | <u>\$ 3.22</u> |
| Weighted average shares outstanding | 20,564 | 20,358 | 20,542 | 20,356 |
| Diluted results per share of common stock: | | | | |
| Income before realized investment losses and extraordinary gain | \$ 0.76 | \$ 1.07 | \$ 2.45 | \$ 3.23 |
| Realized investment losses, net of taxes | (0.21) | (0.06) | (0.19) | (0.12) |
| Extraordinary gain, net of taxes | <u>0.06</u> | <u>-</u> | <u>0.35</u> | <u>-</u> |
| Net income | <u>\$ 0.61</u> | <u>\$ 1.01</u> | <u>\$ 2.61</u> | <u>\$ 3.11</u> |
| Weighted average shares outstanding | 21,149 | 21,154 | 21,106 | 21,039 |
| Dividend paid per share of common stock | \$ 0.07 | \$ - | \$ 0.21 | \$ - |

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

| | <u>09/30/01</u> | <u>12/31/00</u> |
|---|---------------------|---------------------|
| Assets: | | |
| Invested assets | \$ 2,406,079 | \$ 2,475,945 |
| Other assets | <u>1,001,319</u> | <u>964,065</u> |
| Total assets | <u>\$ 3,407,398</u> | <u>\$ 3,440,010</u> |
| Liabilities and Shareholders' Equity: | | |
| Policy liabilities and accruals | \$ 1,224,845 | \$ 1,170,144 |
| Policyholder account balances | 802,949 | 782,452 |
| Corporate debt | 113,696 | 267,770 |
| Other liabilities | <u>607,782</u> | <u>581,451</u> |
| Total liabilities | 2,749,272 | 2,801,817 |
| Capital Securities of Delphi Funding L.L.C. | 36,050 | 100,000 |
| Shareholders' equity | <u>622,076</u> | <u>538,193</u> |
| Total liabilities and shareholders' equity | <u>\$ 3,407,398</u> | <u>\$ 3,440,010</u> |
| Diluted book value per share of common stock | \$ 30.23 | \$ 26.87 |
| Diluted book value per share of common stock before net unrealized depreciation on investments | \$ 31.11 | \$ 29.15 |