

For Immediate Release

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

**Delphi Financial Reports 20% Increase in First Quarter 2007 Operating EPS to \$0.79;  
Net Income per Share Reaches \$0.76**

Wilmington, Delaware – April 24, 2007 – Delphi Financial Group, Inc. (NYSE: DFG) announced today that net income in the first quarter of 2007 was \$39.2 million or \$0.76 per share, compared to \$32.8 million or \$0.65 per share in the first quarter of 2006. The prior period per share amount has been restated to reflect the 3-for-2 common stock split effected on June 1, 2006.

Operating earnings<sup>(1)</sup> in the first quarter of 2007 were \$40.9 million or \$0.79 per share, compared with operating earnings of \$33.6 million or \$0.66 per share in the first quarter of 2006. Annualized operating return on beginning equity<sup>(2)</sup> in the first quarter of 2007 was 15.0%, up from 13.0% in the first quarter of 2006.

Core group employee benefit premiums in the first quarter of 2007 grew 19% from the first quarter a year ago, reaching a record \$299.6 million. This growth was driven by a 24% increase in premiums from excess workers' compensation insurance for self-insured employers, the leading product of Delphi's Safety National subsidiary, and a 17% increase in group disability premiums at Delphi's Reliance Standard Life subsidiary. The combined ratio in group employee benefits insurance declined to 93.2% in the first quarter of 2007 from 93.7% in the first quarter of 2006.

Robert Rosenkranz, Chairman and Chief Executive Officer, commented, "Delphi began the year with an excellent first quarter as both our insurance operations and investment operations continued to exceed our internal targets for all key metrics. We achieved continued strong premium growth in our two most profitable insurance lines, excess workers' compensation and group long-term disability. Our investment income growth was ahead of our plan as we benefited from strong growth in invested assets and solid investment performance."

Mr. Rosenkranz added, "Given our excellent results in the first quarter, and our positive outlook for the remainder of the year, we are increasing our guidance for full-year 2007 to a range of \$3.15 to \$3.25 for operating earnings per share, up from our previous guidance of \$3.10 to \$3.20."

Delphi's net investment income in the first quarter of 2007 rose 21% to \$71.3 million, driven by strong growth in average invested assets, which grew 14% from the prior year to \$4.7 billion. The tax equivalent yield on the Company's investment portfolio in the first quarter of 2007 was 6.5% compared to 6.2% in the first quarter of 2006 and 6.6% for the full-year 2006. Delphi's book value per share before accumulated other comprehensive income or loss<sup>(3)</sup> was \$22.56 at March 31, 2007, compared

with \$23.35 at December 31, 2006 and \$21.07 at March 31, 2006. The adoption of SOP 05-1 in the first quarter of 2007 resulted in a cumulative effect adjustment of \$82.6 million or \$1.60 per share, after-tax, which was recorded as a reduction to retained earnings with no impact on net income or operating earnings.

### **Conference Call**

On April 25, 2007 at 11:00 AM (Eastern time), Delphi will broadcast the Company's first quarter 2007 earnings teleconference live on the Internet, hosted by Robert Rosenkranz, Chairman and Chief Executive Officer. Investors can access the broadcast at [www.delphifin.com](http://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 April 25, 2007. Investors can also download Delphi's first quarter 2007 statistical supplement from the Company's website at [www.delphifin.com](http://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, changes in accounting rules and interpretations thereof, 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](http://www.delphifin.com).

<sup>(1)</sup> Operating earnings, which is a non-GAAP financial measure, consist of income from continuing operations excluding after-tax realized investment gains and losses, and the loss on redemption of junior subordinated deferrable interest debentures, as applicable. After-tax net realized investment losses were \$0.2 million and \$0.8 million, or \$0.00 per share and \$0.01 per share, for the first quarter of 2007 and 2006, respectively. The after-tax loss on redemption of the 9.31% junior subordinated deferrable interest debentures underlying the 9.31% Capital Securities, Series A of Delphi Funding L.L.C. was \$1.4 million, or \$0.03 per share, for the first quarter of 2007. After-tax losses from discontinued operations were \$0 and \$10,000, or \$0.00 per share and \$0.00 per share, for the first quarter of 2007 and 2006, respectively. The Company believes that because realized investment gains and losses, redemption of junior subordinated deferrable interest debentures, 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. Redemption of junior subordinated deferrable interest debentures occur based on management's decision to exercise its ability to redeem the outstanding debentures. 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, losses on redemption of junior subordinated deferrable interest debentures 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.

<sup>(2)</sup> Annualized operating return on beginning equity, which is a non-GAAP financial measure, is based on operating earnings as defined in footnote (1) above divided by beginning shareholders' equity. The Company believes that this non-GAAP measure is useful in analyzing the Company's operating trends.

<sup>(3)</sup> Diluted book value per share before accumulated other comprehensive income or loss, which is a non-GAAP financial measure, is based on shareholders' equity excluding the effect of accumulated other comprehensive income or loss. The Company believes that, because accumulated other comprehensive income or loss 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>03/31/2007</u>	<u>03/31/2006</u>
<b><u>Income Statement Data</u></b>		
<b>Operating earnings (Non-GAAP measure)</b>	\$ 40,867	\$ 33,645
Net realized investment losses, net of taxes	(248)	(813)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	(1,425)	-
Income from continuing operations	39,194	32,832
Discontinued operations, net of taxes	-	(10)
<b>Net income (GAAP measure)</b>	<u>\$ 39,194</u>	<u>\$ 32,822</u>
<b>Diluted results per share of common stock:</b>		
<b>Operating earnings (Non-GAAP measure)</b>	\$ 0.79	\$ 0.66
Net realized investment losses, net of taxes	-	(0.01)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	(0.03)	-
Income from continuing operations	0.76	0.65
Discontinued operations, net of taxes	-	-
<b>Net income (GAAP measure)</b>	<u>\$ 0.76</u>	<u>\$ 0.65</u>
 <b>Annualized operating return on beginning equity</b>	 15.0%	 13.0%
<b>Annualized return on beginning equity (GAAP measure)</b>	14.4%	12.7%
 <b><u>Balance Sheet Data</u></b>		
	<u>03/31/2007</u>	<u>03/31/2006</u>
<b>Shareholders' equity, excluding accumulated other comprehensive income (loss)</b>	\$ 1,121,978	\$ 1,037,223
Add: Accumulated other comprehensive income (loss)	19,928	(2,573)
<b>Shareholders' equity (GAAP measure)</b>	<u>\$ 1,141,906</u>	<u>\$ 1,034,650</u>
 <b>Diluted book value per share of common stock, excluding accumulated other comprehensive income (loss) (Non-GAAP measure)</b>	 \$ 22.56	 \$ 21.07
Add: Accumulated other comprehensive income (loss)	0.37	(0.05)
<b>Diluted book value per share of common stock (GAAP measure)</b>	<u>\$ 22.93</u>	<u>\$ 21.02</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 (loss)" provides useful supplemental information because accumulated other comprehensive income (loss) 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	
	03/31/2007	03/31/2006
Revenue:		
Premium and fee income	\$ 322,247	\$ 262,959
Net investment income	71,303	59,029
Net realized investment losses	(382)	(1,251)
Loss on redemption of junior subordinated deferrable interest debentures	(2,192)	-
	390,976	320,737
Benefits and expenses:		
Benefits, claims and interest credited to policyholders	238,212	191,618
Commissions and expenses	90,551	75,761
	328,763	267,379
Operating income	62,213	53,358
Interest expense:		
Corporate debt	5,054	4,686
Junior subordinated deferrable interest debentures	1,284	1,271
Income tax expense	16,681	14,569
	39,194	32,832
Income from continuing operations	39,194	32,832
Discontinued operations, net of taxes	-	(10)
Net income	\$ 39,194	\$ 32,822
Basic results per share of common stock:		
Income from continuing operations	\$ 0.78	\$ 0.66
Discontinued operations	-	-
Net income	0.78	0.66
Weighted average shares outstanding	50,177	49,479
Diluted results per share of common stock:		
Income from continuing operations	\$ 0.76	\$ 0.65
Discontinued operations	-	-
Net income	0.76	0.65
Weighted average shares outstanding	51,467	50,825
Dividends paid per share of common stock	\$ 0.08	\$ 0.07

NOTE: 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>03/31/2007</u>	<u>12/31/2006</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$3,539,676	\$3,377,578
Short-term investments	241,018	400,239
Other investments	<u>873,877</u>	<u>705,563</u>
	4,654,571	4,483,380
Cash	48,758	48,204
Cost of business acquired	153,155	267,920
Reinsurance receivables	411,301	410,593
Goodwill	93,929	93,929
Securities lending collateral	101,091	-
Other assets	274,139	251,975
Assets held in separate account	<u>117,534</u>	<u>114,474</u>
Total assets	<u><u>\$5,854,478</u></u>	<u><u>\$5,670,475</u></u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$2,191,161	\$2,107,644
Policyholder account balances	1,106,871	1,119,218
Corporate debt	297,750	263,750
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	20,619	59,762
Securities lending payable	101,091	-
Other liabilities and policyholder funds	877,546	830,819
Liabilities related to separate account	<u>117,534</u>	<u>114,474</u>
Total liabilities	<u>4,712,572</u>	<u>4,495,667</u>
Shareholders' equity:		
Class A Common Stock	483	480
Class B Common Stock	57	57
Additional paid-in capital	488,314	474,722
Accumulated other comprehensive income	19,928	19,133
Retained earnings	716,094	763,386
Treasury stock, at cost	<u>(82,970)</u>	<u>(82,970)</u>
Total shareholders' equity	<u>1,141,906</u>	<u>1,174,808</u>
Total liabilities and shareholders' equity	<u><u>\$5,854,478</u></u>	<u><u>\$5,670,475</u></u>

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

	<u>Three Months Ended</u>	
	<u>03/31/2007</u>	<u>03/31/2006</u>
Operating activities:		
Net income	\$ 39,194	\$ 32,822
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	109,180	71,266
Net change in reinsurance receivables and payables	(2,584)	7,964
Amortization, principally the cost of business acquired and investments	21,692	16,565
Deferred costs of business acquired	(30,387)	(29,086)
Net realized losses on investments	381	1,251
Net change in federal income tax liability	8,586	9,807
Other	(56,787)	(26,617)
Net cash provided by operating activities	<u>89,275</u>	<u>83,972</u>
Investing activities:		
Purchases of investments and loans made	(408,925)	(425,779)
Sales of investments and receipts from repayment of loans	139,880	372,965
Maturities of investments	33,727	45,673
Net change in short-term investments	159,221	(181,132)
Change in deposit in separate account	(636)	(1,546)
Net cash used by investing activities	<u>(76,733)</u>	<u>(189,819)</u>
Financing activities:		
Deposits to policyholder accounts	21,866	122,763
Withdrawals from policyholder accounts	(34,557)	(28,010)
Borrowings under revolving credit facility	38,000	25,000
Principal payments under revolving credit facility	(4,000)	(2,000)
Redemption of junior subordinated deferrable interest debentures	(37,728)	-
Other financing activities	4,431	(11,786)
Net cash (used) provided by financing activities	<u>(11,988)</u>	<u>105,967</u>
Increase in cash	554	120
Cash at beginning of period	<u>28,493</u>	<u>28,493</u>
Cash at end of period	<u>\$ 29,047</u>	<u>\$ 28,613</u>