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DELPHI FINANCIAL GROUP INC/DE
Form 10-Q
May 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2002

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-11462

DELPHI FINANCIAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

(302) 478-5142
(Registrant's telephone number,
including area code)

13-3427277
(I.R.S. Employer Identifi-
Number)

1105 North Market Street, Suite 1230, P.O. Box 8985, Wilmington, Delaware
(Address of principal executive offices)

19899
(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to filing requirements for the past 90 days:

Yes No

As of April 30, 2002, the Registrant had 16,984,512 shares of Class A Common Stock and 3,500,105 shares of Class B Common Stock outstanding.

DELPHI FINANCIAL GROUP, INC.
FORM 10-Q
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AND OTHER INFORMATION

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PART I. FINANCIAL INFORMATION

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF INCOME
 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
 (UNAUDITED)

	Three Months Ended March 31,	
	2002	2001
	-----	-----
Revenue:		
Premium and fee income	\$156,827	\$123,305
Net investment income	41,064	39,066
Net realized investment gains	95	451
	-----	-----
	197,986	162,822
	-----	-----
Benefits and expenses:		
Benefits, claims and interest credited to policyholders	120,533	89,699
Commissions	9,847	9,435
Amortization of cost of business acquired	10,449	8,616
Other operating expenses	25,325	23,016
	-----	-----
	166,154	130,766
	-----	-----

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Operating income	31,832	32,056
Interest expense:		
Corporate debt	2,528	3,809
Dividends on Capital Securities of Delphi Funding L.L.C	839	2,277
	-----	-----
	3,367	6,086
	-----	-----
Income before income tax expense and extraordinary gain	28,465	25,970
Income tax expense	8,895	8,342
	-----	-----
Income before extraordinary gain	19,570	17,628
Extraordinary gain, net of income taxes	--	3,017
	-----	-----
Net income	\$ 19,570	\$ 20,645
	=====	=====
Basic results per share of common stock:		
Income before extraordinary gain	\$ 0.95	\$ 0.85
Net income	0.95	1.01
Diluted results per share of common stock:		
Income before extraordinary gain	\$ 0.93	\$ 0.83
Net income	0.93	0.98
Dividend paid per share of common stock	\$ 0.07	\$ 0.07

See notes to consolidated financial statements.

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DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	March 31, 2002

Assets:	
Investments:	
Fixed maturity securities, available for sale.....	\$ 2,261,201
Short-term investments.....	162,399
Other investments.....	125,987

Cash.....	2,549,587
	13,547

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Cost of business acquired.....	176,323
Reinsurance receivables.....	390,809
Goodwill.....	93,929
Other assets.....	189,218
Assets held in separate account.....	76,177

Total assets.....	\$ 3,489,590
	=====
Liabilities and Shareholders' Equity:	
Future policy benefits:	
Life.....	\$ 228,870
Accident and health.....	363,655
Unpaid claims and claim expenses:	
Life.....	39,714
Accident and health.....	166,791
Casualty.....	519,207
Policyholder account balances.....	821,271
Corporate debt.....	120,654
Other liabilities and policyholder funds.....	541,415
Liabilities related to separate account.....	65,625

Total liabilities.....	2,867,202

Company-obligated mandatorily redeemable Capital Securities of Delphi	
Funding L.L.C. holding solely junior subordinated deferrable interest	
debentures of the Company.....	36,050

Shareholders' equity:	
Preferred Stock, \$.01 par; 10,000,000 shares authorized.....	-
Class A Common Stock, \$.01 par; 40,000,000 shares authorized;	
18,314,702 and 17,763,428 shares issued and outstanding, respectively	183
Class B Common Stock, \$.01 par; 20,000,000 shares authorized;	
3,652,513 and 4,132,688 shares issued and outstanding, respectively....	37
Additional paid-in capital.....	370,715
Net unrealized depreciation on investments.....	(26,111)
Retained earnings.....	293,013
Treasury stock, at cost; 1,505,290 shares of Class A Common Stock.....	(51,499)

Total shareholders' equity.....	586,338

Total liabilities and shareholders' equity.....	\$ 3,489,590
	=====

See notes to consolidated financial statements.

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DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(DOLLARS IN THOUSANDS)
(UNAUDITED)

Net
Unrealized

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	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Depreciation on Investments	Re Ea
	-----	----	-----	-----	---
Balance, January 1, 2001	\$ 168	\$ 48	\$ 366,834	\$ (53,622)	\$ 2
Net income	--	--	--	--	
Decrease in net unrealized depreciation on investments ..	--	--	--	14,651	
Comprehensive income					
Issuance of stock and exercise of stock options	4	(3)	700	--	
Cash dividends	--	--	--	--	
Balance, March 31, 2001	=====	=====	=====	=====	=====
Balance, January 1, 2002	\$ 178	\$ 41	\$ 369,385	\$ (10,985)	\$ 2
Net income	--	--	--	--	
Increase in net unrealized depreciation on investments ..	--	--	--	(15,126)	
Comprehensive income	--	--	--	--	
Issuance of stock and exercise of stock options	5	(4)	1,330	--	
Cash dividends	--	--	--	--	
Balance, March 31, 2002	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

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DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

Operating activities:

Net income

Adjustments to reconcile net income to net cash provided

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by operating activities:	
Change in policy liabilities and policyholder accounts	
Net change in reinsurance receivables and payables	
Amortization, principally the cost of business acquired and investments	
Deferred costs of business acquired	
Net realized gains on investments	
Net change in trading account securities	
Net change in federal income tax liability	
Extraordinary gain	
Other	
Net cash provided by operating activities	
Investing activities:	
Purchases of investments and loans made	
Sales of investments and receipts from repayment of loans	
Maturities of investments	
Net change in short-term investments	
Change in deposit in separate account	
Net cash (used) provided by investing activities	
Financing activities:	
Deposits to policyholder accounts	
Withdrawals from policyholder accounts	
Proceeds from issuance of common stock and exercise of stock options	
Dividends paid on common stock	
Principal payments under Credit Agreements	
Change in liability for Federal Home Loan Bank advances	
Repurchase of Capital Securities	
Change in liability for securities loaned or sold under agreements to repurchase ..	
Net cash provided (used) by financing activities	
Increase in cash	
Cash at beginning of period	
Cash at end of period	

See notes to consolidated financial statements.

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DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note A - Significant Accounting Policies

The financial statements included herein were prepared in conformity with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information

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and footnotes required by GAAP for complete financial statements. Such principles were applied on a basis consistent with that reflected in the Company's report on Form 10-K for the year ended December 31, 2001. The information furnished includes all adjustments and accruals of a normal recurring nature which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. Operating results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. Certain reclassifications have been made in the 2001 financial statements to conform to the 2002 presentation. For further information refer to the consolidated financial statements and footnotes thereto included in the Company's report on Form 10-K for the year ended December 31, 2001. Capitalized terms used herein without definition have the meanings ascribed to them in the Company's report on Form 10-K for the year ended December 31, 2001.

Recently Adopted Accounting Standards. Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets." Under SFAS 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized over a pre-determined period, but are required to be periodically reviewed for impairment. Other intangible assets with finite lives will continue to be amortized over their useful lives. An impairment loss resulting from the adoption of SFAS 142 must be accounted for as a cumulative effect of a change in accounting principle and recognized in the entity's first interim period financial statements following the effective date regardless of the interim period in which the measurement is completed. Any subsequent impairment losses will be reflected within operating results in the income statement. The Company has six months from the date of adoption to complete the transitional impairment test. At January 1, 2002, unamortized goodwill of \$60.9 million was attributable to the acquisition of SNCC, whose operations are included in the group employee benefits segment, and \$33.0 million was attributable to the acquisition of Matrix, whose operations do not meet the quantitative threshold for reportable segments and, therefore, are reported in other segments. During the first quarter of 2002, the Company performed preliminary tests for impairment of goodwill as of the date of adoption. Based on these preliminary tests, the Company determined that no impairment of goodwill had occurred. The Company intends to complete its impairment tests during the second quarter of 2002.

Income before extraordinary gain for the first quarter of 2002 was \$19.6 million, or \$0.95 per share (\$0.93 per share assuming dilution). Income before extraordinary gain for the first quarter of 2001, excluding the effects of goodwill amortization, would have been \$18.4 million, or \$0.89 per share (\$0.87 per share assuming dilution). The following table provides a reconciliation of reported net income to adjusted net income and the related earnings per share data as if the provisions of SFAS 142 related to goodwill had been adopted as of January 1, 2001 (dollars in thousands, except per share data):

	Th

	2

Net income, as reported.....	\$ 1
Add back: goodwill amortization.....	---
Adjusted net income.....	\$ 1
	===

Basic results per share of common stock:

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Net income, as reported.....	\$
Add back: goodwill amortization.....	---
Adjusted net income.....	\$ ===
Diluted results per share of common stock:	
Net income, as reported.....	\$
Add back: goodwill amortization.....	---
Adjusted net income.....	\$ ===

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DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (UNAUDITED)

Note B - Investments

At March 31, 2002, the Company had fixed maturity securities available for sale with a carrying value and a fair value of \$2,261.2 million and an amortized cost of \$2,308.8 million. At December 31, 2001, the Company had fixed maturity securities available for sale with a carrying value and a fair value of \$2,223.8 million and an amortized cost of \$2,249.3 million.

Note C - Segment Information

	Thr

	2002

	(dol

Revenues excluding net realized investment gains:	
Group employee benefit products.....	\$ 175,
Asset accumulation products.....	17,
Other (1).....	5,

	\$ 197,
	=====
Operating income (2):	
Group employee benefit products(3)	\$ 30,
Asset accumulation products.....	2,
Other (1) (3).....	(1,

	\$ 31,
	=====

(1) Consists of operations that do not meet the quantitative thresholds for determining reportable segments and includes integrated disability and absence management services and certain corporate activities.

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- (2) Income excluding net realized investment gains and before interest and income tax expense and extraordinary gain.
- (3) For the 2001 period, operating income for group employee benefit products and other operations includes amortization of goodwill of \$0.4 million and \$0.4 million, respectively.

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DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (UNAUDITED)

Note D - Computation of Results per Share

The following table sets forth the calculation of basic and diluted results per share (dollars in thousands, except per share data):

	Th
	20
Numerator:	
Income before extraordinary gain.....	\$ 19
Extraordinary gain, net of income taxes.....	-----
Net income.....	\$ 19 =====
Denominator:	
Weighted average common shares outstanding.....	20
Effect of dilutive securities.....	-----
Weighted average common shares outstanding, assuming dilution.....	21 =====
Basic results per share of common stock:	
Income before extraordinary gain.....	\$
Extraordinary gain, net of income taxes.....	-----
Net income.....	\$ =====
Diluted results per share of common stock:	
Income before extraordinary gain.....	\$
Extraordinary gain, net of income taxes.....	-----
Net income.....	\$ =====

Note E - Contingencies

In the course of its business, the Company is a party to litigation and other proceedings, primarily involving its insurance operations. In some cases, these

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proceedings entail claims against the Company for punitive damages and similar types of relief. The ultimate disposition of such pending litigation and proceedings is not expected to have a material adverse effect on the Company's consolidated financial position. In addition, incident to its discontinued products, the Company is currently a party to two separate arbitrations arising out of two accident and health reinsurance arrangements in which it and other companies formerly were participating reinsurers. At issue in both arbitrations, among other things, is whether certain reinsurance risks were validly ceded to the Company. In the opinion of management, such arbitrations, when ultimately resolved, will not individually or collectively have a material adverse effect on the Company's consolidated financial position.

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DELPHI FINANCIAL GROUP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following is an analysis of the results of operations and financial condition of Delphi Financial Group, Inc. (the "Company," which term includes the Company and its consolidated subsidiaries unless the context indicates otherwise). This analysis should be read in conjunction with the Consolidated Financial Statements and related notes included in this document, as well as the Company's annual report on Form 10-K for the year ended December 31, 2001. Capitalized terms used herein without definition have the meanings ascribed to them in the Company's annual report on Form 10-K for the year ended December 31, 2001.

RESULTS OF OPERATIONS

Premium and Fee Income. Premium and fee income for the first quarter of 2002 was \$156.8 million as compared to \$123.3 million for the first quarter of 2001, an increase of 27%. Premiums from core group employee benefit products increased 18% to \$129.2 million in the first quarter of 2002 from \$109.7 million in the first quarter of 2001. This increase reflects normal growth in employment and salary levels for the Company's existing customer base, price increases, strong production of new business and improved persistency. Within core group employee benefit products, excess workers' compensation premiums increased 25% to \$22.9 million in the first quarter of 2002 from \$18.3 million in the first quarter of 2001 primarily due to improvements in the pricing environment in this market sector and increased demand due to higher primary workers' compensation rates. SNCC has thus far been able to obtain significant price increases in connection with its renewals of insurance coverage for 2002. As to a substantial portion of such renewals, such price increases exceeded 20%. SNCC has also been obtaining significant improvements in contract terms, in particular higher self-insured retention levels, in connection with these renewals. In addition, new business production for excess workers' compensation products increased 145% to \$10.3 million in the first quarter of 2002 from \$4.2 million in the first quarter of 2001 and the retention of existing customers has been high. New business production for the Company's other core group employee benefit products increased 87% to \$53.2 million in the first quarter of 2002 from \$28.4 million in the first quarter of 2001 primarily due to the expansion of the Company's sales force during 2001 and two new sales offices opened in early 2002. Retention of existing customers for these products also improved during the first quarter of 2002 and price increases continue to be implemented for certain disability customers. Premiums from non-core group employee benefit products increased 150% to \$23.2 million in the first quarter of 2002 from \$9.3 million in the first quarter of 2001 primarily due to a higher level of premium from loss portfolio transfers, which are episodic in nature. Deposits from the

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Company's asset accumulation products were \$15.2 million in the first quarter of 2002 as compared to \$28.7 million in the first quarter of 2001. Deposits for these products, which are long-term in nature, are not recorded as premiums; instead, the deposits are recorded as a liability. The Company has maintained its disciplined approach to setting the crediting rates offered on its asset accumulation products since market interest rates and the resulting interest rate spreads available to the Company on these products remained low throughout 2001 and the first quarter of 2002. Accordingly, the Company experienced a lower level of production from its asset accumulation business in the first quarter of 2002 as compared to the first quarter of 2001.

Net Investment Income. Net investment income for the first quarter of 2002 was \$41.1 million as compared to \$39.1 million for the first quarter of 2001, an increase of 5%. This increase primarily reflects an increase in the tax equivalent weighted average annualized yield on invested assets and an increase in average invested assets in 2002. The tax equivalent weighted average annualized yield on invested assets was 6.9% on average invested assets of \$2,467.1 million in the first quarter of 2002 and 6.7% on average invested assets of \$2,405.4 million in the first quarter of 2001.

Net Realized Investment Gains. Net realized investment gains were \$0.1 million in the first quarter of 2002 as compared to \$0.5 million in the first quarter of 2001. The Company's investment strategy results in periodic sales of securities and the recognition of realized investment gains and losses. The Company monitors its investments on an ongoing basis. When the market value of a security declines below its cost, and such decline is determined to be other than temporary, the security is written down to fair value. In the first quarter of 2002, the Company recognized \$3.6 million of losses due to the other than temporary declines in the market values of certain fixed maturity securities.

Benefits and Expenses. Policyholder benefits and expenses for the first quarter of 2002 were \$166.2 million as compared to \$130.8 million in the first quarter of 2001, an increase of 27%. This increase primarily reflects the increase in premiums from the Company's group employee benefit products discussed above. The combined ratio (loss ratio plus expense ratio) for the Company's group employee benefits segment was 95.0% in the first quarter of 2002 and 92.0% for

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the comparable period of 2001. This increase was primarily due to the increase in sales of loss portfolio transfers, which carry a higher loss ratio, and a higher loss ratio in the Company's excess workers' compensation business.

Interest Expense and Extraordinary Gain. Interest expense was \$3.4 million in the first quarter of 2002 as compared to \$6.1 million in the first quarter of 2001, a decrease of \$2.7 million. This decrease was primarily a result of the Company's repayment of \$150.0 million of outstanding borrowings under its revolving credit facilities during the first half of 2001 and the repurchase of \$64.0 million liquidation amount of the Capital Securities in the open market, which occurred on various dates during the first nine months of 2001. During the first quarter of 2001, the Company repurchased \$21.3 million liquidation amount of the Capital Securities and recognized an extraordinary gain of \$3.0 million, net of income tax expense of \$1.6 million, in connection with these repurchases.

Income before Extraordinary Gain. Management believes that the calculation of "operating earnings" is informative when analyzing the Company's operating trends and in comparing the Company's performance with that of other companies in its industry. Operating earnings exclude discretionary or nonrecurring income or loss items such as realized investment gains and losses and extraordinary items. Investment gains and losses may be realized based on management's

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decision to dispose of an investment or management's judgment that a decline in the market value of an investment is other than temporary. Therefore, realized investment gains and losses do not represent elements of the Company's ongoing earnings capacity. However, operating earnings should not be considered a substitute for net income as an indication of the Company's overall performance and may not be calculated in the same manner as similarly titled captions in other companies' financial statements. Operating earnings for the Company, consisting of income before extraordinary gain adjusted to exclude realized investment gains (net of the related income tax expense), were \$19.5 million, or \$0.93 per diluted share, in the first quarter of 2002 as compared to \$17.3 million, or \$0.82 per diluted share, in the first quarter of 2001. The increase in operating earnings is primarily attributable to the increase in the tax equivalent weighted average annualized yield on invested assets, an increase in average invested assets and the decrease in interest expense discussed above.

LIQUIDITY AND CAPITAL RESOURCES

General. The Company had approximately \$54.7 million of financial resources available at the holding company level at March 31, 2002, which was primarily comprised of investments in the common stock of its investment subsidiaries. The assets of the investment subsidiaries are primarily invested in fixed maturity securities and balances with independent investment managers. Other sources of liquidity at the holding company level include dividends paid from subsidiaries, primarily generated from operating cash flows and investments. The Company's insurance subsidiaries are permitted, without prior regulatory or other approval, to make dividend payments of \$44.1 million during 2002. In general, dividends from the Company's non-insurance subsidiaries are not subject to regulatory or other restrictions. At March 31, 2002, the Company had \$170.0 million of borrowings available to it under its revolving credit facilities.

The Company's current liquidity needs, in addition to funding lease commitments and other operating expenses, include principal and interest payments on outstanding borrowings under its revolving credit facilities, the Senior Notes, the SIG Senior Notes and the Subordinated Notes and distributions on the Capital Securities. The maximum amount of borrowings available under the Company's revolving credit facilities, which expire in April 2003, is currently \$190.0 million and will be reduced to \$140.0 million in October 2002. The Senior Notes mature in their entirety in October 2003 and are not subject to any sinking fund requirements nor are they redeemable prior to maturity. The SIG Senior Notes mature in \$9.0 million annual installments, with the next installment payable in May 2002 and a final maturity in May 2003. The Subordinated Notes mature in their entirety in June 2003. The junior subordinated debentures underlying the Capital Securities are not redeemable prior to March 25, 2007.

The Company's shelf registration statement for the sale, from time to time, of securities was declared effective by the Securities and Exchange Commission on May 6, 2002. This shelf registration increased the Company's existing \$49.2 million shelf registration to an amount of up to \$250.0 million of proceeds. Subject to market conditions, the securities covered by such shelf registration may be issued in connection with, among other things, the Company's intended refinancing of its revolving credit facilities and its Senior Notes prior to maturity.

Sources of liquidity available to the Company and its subsidiaries are expected to exceed their current and long-term cash requirements.

MARKET RISK

There have been no material changes in the Company's exposure to market risk or its management of such risk since December 31, 2001.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In connection with, and because it desires to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions readers regarding certain forward-looking statements in the above "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Form 10-Q and in any other statement made by, or on behalf of, the Company, 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 the Company'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, market pricing and competitive trends relating to insurance products and services, acts of terrorism, and the availability and cost of reinsurance, and those relating specifically to the Company'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 the Company'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, the Company. The Company disclaims any obligation to update forward-looking information.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 - Computation of Results per Share of Common Stock (incorporated by reference to Note D to the Consolidated Financial Statements included elsewhere herein)

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DELPHI FINANCIAL GROUP, INC. (Registrant)

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/s/ ROBERT ROSENKRANZ

Robert Rosenkranz
Chairman of the Board, President and Chief
Executive Officer
(Principal Executive Officer)

/s/ THOMAS W. BURGHART

Thomas W. Burghart
Vice President and Treasurer
(Principal Accounting and Financial Officer)

Date: May 14, 2002