

A.M. Best Upgrades Various Ratings of Delphi Financial Group Ratings; Assigns Issuer Credit Ratings

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A.M. Best Co. has upgraded the financial strength ratings (FSR) to A (Excellent) from A-(Excellent) and assigned issuer credit ratings (ICR) of "a" to Delphi Financial Group, Inc.'s (Delphi Financial) [NYSE: DFG] (Wilmington, DE) primary life insurance subsidiaries, Reliance Standard Life Insurance Company (Reliance Standard) (Chicago, IL) and First Reliance Standard Life Insurance Company (New York, NY). A.M. Best has also upgraded the debt rating to "bbb" from "bbb-" on \$143.8 million 8% senior unsecured notes, due 2033 of Delphi Financial and the debt rating to "bbb-" from "bb+" on \$100 million 9.31% capital securities, due 2027 issued by Delphi Funding L.L.C. All ratings have a stable outlook.

Reliance Standard continues to profitably grow its core group long-term disability and group life insurance businesses in a very competitive employee benefits market. The upgrade reflects its favorable level of profitability over the last several years, established market presence in its core small to mid-sized employee benefits market, strengthening capitalization and improved investment quality.

Delphi Financial has reduced its leverage due to the reduction of debt and preferred stock and continues to demonstrate solid financial performance. Over the medium term, A.M. Best anticipates financial leverage and debt service coverage to remain under 25% and at least eight times, respectively.

Partially offsetting these strengths is the general vulnerability of virtually all of Reliance Standard's core business lines to the economy and the recently increasing exposure to various higher risk investments.

A.M. Best would not view favorably a material continuation of this investment trend within the organization. In addition to any adverse developments in the California regulatory environment it operates in; it could become more challenging to conduct business with the recent announcement of the potential changes in contract language and the definition of disability. If enacted, A.M. Best believes this would impact all disability income carriers doing business in California. However, the insurance industry is vehemently fighting the changes. A.M. Best believes it will take an unspecified amount of time for this issue to be resolved.

The FSRs have been upgraded to A (Excellent) and ICRs of "a" have been assigned to the following core life insurance subsidiaries of Delphi Financial Group, Inc.:

- Reliance Standard Life Insurance Company
- First Reliance Standard Life Insurance Company

The following debt ratings have also been upgraded:

- Delphi Financial Group, Inc.--
 - to "bbb" on \$143.8 million 8% senior unsecured notes, due 2033
- Delphi Funding LLC
 - to "bbb-" on \$100 million 9.31% capital securities, due 2027

The following indicative ratings have been upgraded for debt securities available under the existing shelf registration:

Delphi Financial Group, Inc.

- to "bbb" on senior debt
- to "bbb-" on subordinated debt
- to "bbb-" on preferred securities
- to "bb+" on preferred stock

For Best's Debt Ratings, all other Best's Ratings, an overview of the rating process and rating methodologies, please visit Best's Rating Center.

For current Best's Ratings, independent data and analysis on more than 1,050 health companies and A.M. Best groups, please visit Best's Health Center.

A.M. Best Co., established in 1899, is the world's oldest and most authoritative insurance rating and information source.

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