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Delphi Financial Group Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instruction) And the first question is from the line of Mike Grasher, with Piper Jaffray. Please go ahead.

Mike Grasher - Piper Jaffray

Good morning everyone and congratulations on a great 2007. I had a couple of questions on Safety National first of all, obviously new annualized premium sales were down significantly in '07 over '06. Do you expect that to be a bottom in here, would you expect it to be flat for '08? Can you give us any indication given what you have seen out of renewals as well as your thoughts around the economy? I know you just commented to some degree, but if you could elaborate on that?

Robert Rosenkranz

Why don't we ask the Safety folks in St. Louis to respond?

Mark Wilhelm

Hi, Mike, this is Mark Wilhelm at Safety National.

Mike Grasher - Piper Jaffray

Hi Mark.

Mark Wilhelm

Good morning and thanks for listening. Our expectation is still optimistic for '08. We have a number of initiatives that we're pursuing that we hope will make up for the flattening of the market and the lower amounts of new business we've seen in the fourth quarter especially. So, we are pursuing things with a lot of urgency here and we hope that we can make up for some of the shortcomings that we witnessed in the fourth quarter.

Duane Hercules

Mike, this is Dwayne. I'd also like to point out in '06 we had almost \$26 million of production from the ERC renewal rights transaction. So actually if you take that out and look at it on an apples-to-apples basis it was down, but it was 15% year-over-year.

Mike Grasher - Piper Jaffray

Understood, and the renewals, are we going to see retention that are in line with '06 or I guess around 87% level is where they were?

Duane Hercules

Well.

Mike Grasher - Piper Jaffray

I said '06, I meant '07.

Mark Wilhelm

This is Mark Wilhelm again. We greatly exceeded that in January so we do have some optimism that we'll continue to have a strong renewal retention for the balance of '08.

Mike Grasher - Piper Jaffray

Okay. And then on the reserve aspect, was there any positive reserve development at Safety in the quarter?

Duane Hercules

No, overall Mike for the year, the net development was adverse but significantly less than the prior years. We had positive development in the more recent years, we had some adverse development in the 2000 and 2001, kind of at the end of the soft market years. But it was significantly less than 2006.

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