Over the course of a century, Reliance Standard Life has built an organization dedicated to market excellence and careful, strategic growth. Last year set new records in virtually all leading fiscal indicators—quote activity, sales, persistency and of course, profitability—and we improved our position in the top 10 group life and group disability carriers as ranked by independent industry watchdogs.

Sales were up 18%, from $200 million in 2005 to $237 million in 2006. New cases sold were up 19%. Our commitment to persistency brought total cases in-force to nearly 30,000, an increase of 6% over 2005.

In 2006, independent ratings agency A. M. Best also affirmed our A (Excellent) rating, which had been conferred a year earlier. In one of the more challenging ratings environments our industry has seen, Reliance Standard Life has received ratings upgrades from not one, but two major agencies (Moody’s and Best) since the turn of the 21st century.

Delivering on our promise

Our gains in 2006, as in recent years, are directly related to the successful execution of our business strategy, which favors sectors of the broker and employer market in which we can excel. Although our National Accounts story and capabilities have evolved, along with resources to support growth and persistence, the heart of our group benefits business continues to be the needs of small and mid-sized companies with 20 to 500 employees. For a century this has been our core, and we believe few competitors understand and serve the employer and broker/agent population in this size segment as well as Reliance Standard Life.

We remain committed to operating with a customer-centric focus, and we demonstrate that through product, process and people:

Product

We began 2007 with significant enhancements to a variety of products and services. On the core side, our group long term disability contract has been enhanced by RSL LeaveManager™, a secure, web-based FMLA and leave tracking solution for the small and middle-market employer. LeaveManager was built on the successful software platform that powers all of our outsourced Absence Solutions® integrated disability services, so it enters the market with an unparalleled pedigree.

On the large-case side, Absence Solutions®, which we deliver to clients in conjunction with Matrix Absence Management, our sister company, added two industry-first add-on services to its core offerings: Casual Absence Management allows the large employer to improve productivity and reduce soft and direct costs by managing employee absence from day one; and Premium Billing relieves employers from the burden of billing employees on unpaid leave for their COBRA benefits coverage—whether or not those benefits are delivered by Reliance Standard Life.

RSL BasicCare™, our suite of Limited Benefit Medical plans, has achieved more than 300% sales growth since its inception a year ago. We have also increased offerings to include both reimbursement and indemnity plan designs to meet evolving demand in this expanding market.

Process

Last year was a pivotal year for us relative to our ability to leverage technology to improve service and communications. We entered 2006 with a mandate to embrace technology appropriate to our strategic and business objectives, and to become competitive in the marketplace.

In that regard we overhauled and relaunched both our public-facing website and our secure extranet network, significantly improving both our “curb appeal” on the World Wide Web as well as our ability to transact business with and empower our internal and external stakeholders. Today our employees, brokers and policyholders have more information and more flexibility with which to access information, than ever before at their fingertips. We continue to work feverishly to evolve our ad hoc reporting and self-serve capabilities online.

People

Despite significant advances in technology, ours remains essentially a people business. And 2006 was a high-water mark in our mission to assure our qualified, dedicated people have what they need to deliver superior service to brokers and clients.

The National Service Organization (NSO) was founded on a few core principles:

• That nothing is more important than providing excellent service to our partners and policyholders;

• That our sales force is best applied selling, and our sales management best applied managing production;
• That best practices exist and should be leveraged in order to maximize our service delivery across all lines of business.

In 2006 we reorganized field sales support and service into the NSO, reporting in a discreet, parallel structure up to our Senior VP of Sales and Marketing. Reliance Standard Life has invested a significant amount of human and fiscal capital to build a service delivery function of which we can all be proud. Positions, including at the regional office management level, were created and recalibrated with specific metrics and business goals in mind. Now, into 2007, the evolution continues and is beginning to bear fruit in many measurable ways. We look forward to continued, even augmented, return on this investment.

Asset Accumulation remains a strength

Thanks to the strength and support of our MGA partners, our suite of fixed annuity products increased the profits of our asset accumulation business by 28%, even as 2006’s annual sales remained essentially flat. We now have more than $1.1 billion of fixed annuity assets under management.

This year we plan to augment our product offerings with the launch of the Keystone Index Annuity, Reliance Standard Life’s first annuity product wherein return is tied to the performance of the S&P 500 stock index. This product was developed with essential feedback from our industry partners and guidance and expertise from the investment minds at Delphi Financial Group, our corporate parent.

It seems like only yesterday

Just a few short years ago, voluntary benefits were a niche product. Today they are very much in the mainstream, and employers see them as integral to their benefits (and business) plans. The fact that voluntary sales marketwide have increased 118% over the past eight years (Eastbridge Consulting, 2006), while our own voluntary product sales have grown 141% over the past two years, is clear evidence of our evolution in this crucial, expanding market.

While we remain a strong small and middle-market case carrier, we have built—in tandem with Matrix Absence Management—a viable National Accounts value proposition, sales strategy and account management model that make it possible to compete effectively—and successfully. Over the last two years we’ve systematically increased the national practice leaders who assist our sales force in qualifying and winning integrated employee benefits (IEB) business. We’ve expanded and redeployed our national account management force under new leadership, and used many of the best practices identified in this arena—particularly in new client implementation and administration—to help us improve service throughout our remaining book of business, via the newly-minted NSO.

All in, IEB fees and premium for 2006 increased 60% over year-prior, and all indicators are positive for this upward trend to continue.

Reliance Standard Life: The Next 100

In 2007, we begin celebrating our 100th anniversary. But we’re not looking back—we’re looking forward with confidence and pride.

Each one of you makes up our Next Generation, those who will help define and shape our future. It’s an awesome responsibility, but you won’t face it alone. We have one of the strongest teams in the business, and we are positioned to succeed. In the coming year and beyond, we will focus on setting and achieving measurable goals, rigorously executing our business strategy, continuing to evolve our service capabilities and being accountable to our customers and to each other.

It’s going to be a great century.

Sincerely,

Lawrence E. Daurelle
President & CEO
Now in its centennial year, Reliance Standard Life is a top-ranked group benefits carrier with a legacy of providing service and value to employers of all sizes. Core products include group disability, group term life, accident insurance and total absence management. Innovative programs include limited-medical coverage for temporary and hourly employees; and a unique, web-based FMLA administration tool for companies with 50 or more employees.

**Group Insurance Products**

Are available to groups with 10 or more lives (unless otherwise specified).

**Group Term Life/AD&D**
- Dependent life available
- Accelerated death benefit
- Smoke-free & wellness program discounts
- Waiver of premium (with critical illness benefit in most states)
- Conversion feature
- Bereavement counseling
- Flexible benefit schedules of flat or multiples of salary

**Short Term Disability**
- Maximum weekly benefit up to $2,309 per week
- Benefit percentages up to 70%
- Benefit duration up to 52 weeks
- Claim services only option available
- Partial and residual benefit available
- Maternity treated the same as any other illness

**Long Term Disability**
- No earnings test
- Extended disability benefit (not available in all states)
- Professional Social Security advocacy
- Maximum monthly benefits up to $24,000
- Benefit percentage of 40% up to 66-2/3%
- Elimination periods from 30 days up to 5 years (max period can vary by state)
- Elimination period interruption provision
- “Own Occupation” definition of disability from 12 – 60 months or to age 65
- Partial and residual benefit available
- Rate guarantees up to 3 years

**RSL LeaveManager™**
- Provides companies with 50 to 2,000 lives a secure web-based system to record, administer and report types of employee absences, whether government mandated or employer authorized
- Helps maintain compliance with Federal FMLA and Department of Labor wage and hour regulations
- Reduces leave and absence administrative time
- Improves productivity
- Reduces costs due to unscheduled absences

**Dental**
- Choose from many plan designs
- Maximum Rewards℠ option can increase annual maximums with carryover
- Managed care/PPO and voluntary/pretax plans
- Plans may be written for preventive and basic procedures only, or preventive, basic and major
- Orthodontia options available

**Eye Care**
- Basic Vision, scheduled/defined benefit reimbursement plan with optional network
- Sharper Vision features the VSP network
- TrueView Vision℠ features the EyeMed network
- ExamPlus benefit, VSP eye exam plus VSP discounts available with most dental plans
- Materials-only or Materials-optional plans

**RSL BasicCare™ Limited Medical Benefit Products**

Are available to groups with 50+ lives. Exclusively for employees who rarely have access to health insurance, RSL BasicCare™ is available to hourly, part-time, seasonal, temporary, or irregularly scheduled employees in various occupations.

- RSL BasicCare™ Medical
- RSL BasicCare™ Dental
- RSL BasicCare™ Term Life
- RSL BasicCare™ STD (Employee Only)
Available to groups with two to 19 lives (unless otherwise specified). We offer comprehensive flexible plan designs, which can be also offered as stand-alone products. Our Small Group Package incorporates LTD, Life/AD&D, STD and Dental/Eye Care.

**SmartChoice™ LTD**
- Two Year Rate Guarantee
- $6,000 Monthly Maximum Benefit
- Benefit Percentage of 60%
- 60, 90 and 180 Day Elimination Periods
- 36 Month “Own Occupation” Definition of Disability
- Pre-existing Condition Benefit (30% to $3,000)
- Rehabilitation and Survivor Benefits

**SmartChoice™ Life/AD&D**
- Guaranteed Issue of $25,000 for Groups of Two to Five Lives
- Guaranteed Issue of up to $50,000 for Groups of Six to Nine Lives
- Guaranteed Issue of up to $75,000 for Groups of Ten to 19 Lives
- Maximum Benefit of $150,000
- All Plans Offer an Equal Amount of Life/AD&D

**SmartChoice™ STD**
- Weekly Maximum Benefit of $750 for Two to Nine Lives and $1,000 for Ten to 19 Lives
- Benefit Options Offered Include 50%, 60%, 66.7%, 70% or Flat Amount of Coverage
- Pre-existing Condition Benefit

**SmartChoice™ Dental/Eye Care**
- Groups of Three to 19 Lives
- Two Dental Plan Offerings
- Managed Care/PPO Dental Option
- Orthodontia Option
- Eye Care Option

**Voluntary Disability Insurance**
- Benefits up to 60% of salary
- Maximum short term benefits up to $1,250 per week, $2,100 in CA
- Maximum long term benefits up to $7,500 per month
- Elimination periods of 7, 14, 30, 60, 90 or 180 days
- Benefit durations up to Social Security Normal Retirement Age
- Partial and residual available
- Rate guarantees up to two years

**Integrated Employee Benefits Absence Solutions®**
This proprietary integrated disability service combines single source claims management and return-to-work services with flexible, high-quality disability and/or workers’ compensation insurance products. The integrated approach is proven to lower premiums, but also addresses the larger problems associated with loss of productivity.
MATRIX ABSENCE MANAGEMENT

Another member of the Delphi Financial Group family of companies, Matrix Absence Management, Inc. (Matrix) delivers an array of services that proactively manage employee absence and related payments. Matrix integrates workers’ compensation, short and long term disability, return-to-work services, and personal/family and medical leave of absence (FMLA) programs into a seamless system. Matrix is also the administrator and claims processing platform for Reliance Standard National Accounts.

Matrix focuses on reducing the “lost productivity” companies suffer when valuable employees are out of work. It streamlines benefit delivery, simplifies administration, and reduces benefit costs. Matrix emphasizes early reporting and intervention along with consistent medical management with a focus on healthy return-to-work. This produces a quantifiable payoff for employers through increased productivity, reduced benefit costs and happier employees.

Matrix delivers these services today through its corporate office in San Jose, CA, and additional service offices in Albuquerque, NM; Austin, TX; Phoenix, AZ; Hawthorne, NY; Portland, OR; Rocklin (Sacramento) and Ontario, CA (with satellite offices in Naperville [Chicago], IL; Wilmington, NC; Owings Mills [Baltimore], MD; and Philadelphia, PA).

Matrix clients employ more than 1,000,000 employees with total payrolls exceeding $20 billion. It attributes much of its growth to referrals from other professionals and clients.

Matrix serves as the pivot point between insured and self-insured programs, providing the conduit that connects disability with workers’ compensation for a fully integrated system. The strategic partnership between Matrix and Reliance Standard Life combines technology and clinical expertise to help obtain high-quality program administration, facilitate healthy return-to-work services and save costs associated with absence.

SAFETY NATIONAL CASUALTY CORPORATION

Another member of the Delphi Financial Group family of companies, Safety National Casualty Corporation (SNCC) offers a range of alternative risk funding products for workers’ compensation through independent insurance agents and brokers. Since 1942, SNCC has been a leading provider of Excess Workers’ Compensation coverage to self-insured employers and groups nationwide. Today, with additional risk financing services and large deductible programs, SNCC is a versatile alternative market provider.

Excess Workers’ Compensation

Self-insuring workers’ compensation provides employers with a greater degree of control, improved claims management, and significant cash flow advantages over first dollar insurance programs.

Self-Insurance Bonds

To satisfy most state requirements, employers must post security before receiving authority to self-insure. SNCC is a major provider of Self-Insurance Bonds to satisfy this requirement.

Large Deductible Workers’ Compensation

To achieve many of the benefits of self-insurance, employers may utilize a Large Deductible Workers’ Compensation Program. SNCC provides coverage above the deductible amount. Aggregate coverage is also available to limit overall exposure.

Alternative Risk Services

SNCC is a resource for exploring captive formation or utilization in risk financing plans.
FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE SHEETS
(Dollars in Millions)
(GAAP Basis)

DECEMBER 31,

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<td><strong>Total Liabilities and Equity</strong></td>
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GROUP PREMIUMS
(Dollars in Millions)

PREMIUM & FEE INCOME
(Dollars in Millions)

EQUITY
(Dollars in Millions)
SALES OFFICES

Atlanta
(800) 535-6018

Boston
(800) 527-1753

Charlotte
(800) 833-1207

Chicago
(800) 922-0509

Cincinnati
(800) 884-1447

Cleveland
(866) 486-0156

Dallas
(800) 261-0269

Denver
(800) 251-1090

Ft. Lauderdale
(877) 268-7606

Hartford
(800) 613-7600

Houston
(800) 392-5882

Kansas City
(888) 857-4801

Los Angeles
(877) 269-9717

Memphis
(866) 369-9960

Michigan
(800) 526-4402

Nashville
(866) 917-1127

New York, First Reliance
Standard Life Insurance Company
(800) 882-8700

Northern California
(800) 843-9851

Orange County
(800) 762-3059

Orlando
(800) 221-2693

Philadelphia
(800) 321-2347

Phoenix
(800) 992-4775

Pittsburgh
(800) 441-9157

Portland
(800) 246-0847

Richmond
(804) 246-0847

Seattle
(800) 336-3792

St. Louis
(800) 445-4662

Tampa
(866) 915-3288

Twin Cities
(800) 346-0410

Washington, D.C.
(800) 345-5225

Wisconsin
(877) 328-5285

Home Office:
Chicago, IL

Administrative Office:
2001 Market Street, Suite 1500
Philadelphia, PA 19103
(800) 351-7500

Matrix Absence Management, Inc.
5225 Hellyer Avenue, Suite 210
San Jose, CA 95138
(800) 980-1006

Safety National Casualty
Corporation
2043 Woodland Parkway
St. Louis, MO 63146
(888) 995-5300

RELIANCE STANDARD
Life Insurance Company
a DELPHI company

WWW.RELIANCESTANDARD.COM

RS-2128 8/07