

F R I E N D P A O N R T I 2 A 0 L 0 3

GREAT COVERAGE. GREAT SERVICE. GREAT VALUE.

RELIANCE STANDARD



P R E S I D E N T ' S L E T T E R

EXPANDING OUR VISION

Reliance Standard Life Insurance Company (RSL) made yet another solid showing in 2003, building a foundation upon which to grow. Our theme was, "New Markets, New Opportunities." We achieved 15% growth in core group employee benefit premiums in 2003, reflecting continued strength in our attractive small case niche of businesses with 50-500 employees. We also saw continued growth from our unique Integrated Employee Benefits program targeted at larger employers in which we partner with our sister company Matrix Absence Management, Inc. We look forward to seeing fruits tomorrow from our efforts during 2003.

Attacking the voluntary market

Perhaps the most dramatic move in 2003 concerned our re-entry into the exploding voluntary or worksite benefits arena. The worksite benefits phenomenon, among the hottest insurance issues today, is fueled in great part by the steady and dramatic annual rise in health care premiums. Employers who wish to safeguard, motivate and meet the differing needs of employees with meaningful benefit packages are increasingly looking to worksite benefits in which the employee elects coverages and pays for them via payroll deduction to do so.

While we had marketed voluntary products before, in 2003 RSL introduced Reliance Standard Voluntary Plans (RSVP), a suite of voluntary coverages that work together or a la carte, seamlessly. This new product launch offered our broker sales channel flexibility and differentiation—including an integrated disability product we call VIP, that has the flexibility to offer short-term and long-term disability income protection under one contract. In accordance with our business goals and philosophy, it also offers both employers and employees superior value. The whole RSVP suite includes Life, Disability, and AD&D coverage.

Expanding our field presence

The foundation of our strength as a marketer of insurance solutions is our presence in the field, and this year we took steps to fortify that position. We see network expansion as an investment in our ability to attract and retain meaningful new business and, like any investment, we have budgeted for a return long after the initial outlay of resources.

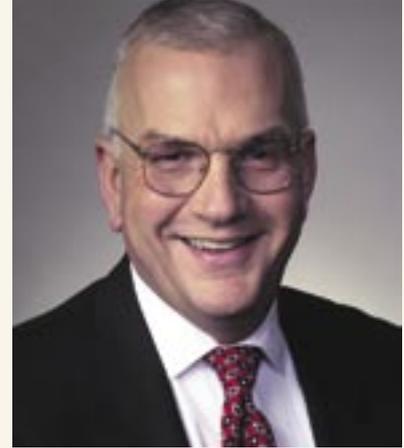
After opening two regional sales offices in 2002, we opened our 25th regional sales office in 2003: Milwaukee. We also ended 2003 with 99 field sales associates, an increase of 10% over 2002. This expansion allowed us to both increase the capacity of some of our most productive sales offices, and to open up markets heretofore conceded to our competition. We are continuing to target field expansion as a key objective in 2004 with a 15% increase in sales associates as our goal. This is a continued step toward building marketing share.

Leveraging technology

In 2003, technology continued to be a key factor in how we do business and how we communicate with our brokers and policyholders.

Internally, we continued our information system integration under the Policy Administration and Claims System (PACS) platform. PACS is more than just a unified (and unifying) system of processing and managing information. The efficiencies it offers actually represent a competitive advantage over our peer group, improving the speed and accuracy of our underwriting, claims processing and virtually every business process.

We also took quantum leaps forward in utilization of our website and extranets to communicate with our stakeholders. In 2003, we aggressively registered group benefit brokers via their own extranet; policyholders through theirs; and annuity producers through their own dedicated extranet. Through these portals our stakeholders can access detailed product information and,



where appropriate, claims status, reports and premium/commission information. To date, we have over 4,000 registered users for our website—which means we can, and do, maintain productive dialogue with them.

Poised for growth

We made several investments of time, energy and resources that will pay off in the near-term and mid-term of this I am sure. I would like to thank everyone on our team who contributed his or her hard work, vision and dedication to our progress this year, and I look forward to reporting on our momentum as we progress in 2004 and beyond.

Sincerely,

A handwritten signature in dark ink that reads "Lawrence E. Daurelle". The signature is written in a cursive, flowing style.

Lawrence E. Daurelle
President & CEO



GROUP INSURANCE

RSL underwrites coverages that are primarily offered to employers as components of basic employee benefit plans. Specialized payroll deduction and voluntary coverages are also marketed to employers with enhanced and cafeteria employee benefit plans.

Group Disability Income Insurance plans offer valuable, yet affordable, short-term or long-term income protection for employees. They also serve as a valuable benefit to help employers retain staff. Our Group Disability Income products have competitive, stable rates and plan design flexibility. Companies can choose from many specially designed benefit packages to offer their employees.

Absence Solutions® plans provide integrated disability products and services. In conjunction with our sister companies, Matrix Absence Management, Inc. and Safety National Casualty Corporation, we offer high quality products, exceptional service and proven systems for seamless integration. By actively managing absences of all kinds, and making it simple for the employer and the employee, we help our clients save time and money, and increase employee productivity and satisfaction.

Group Term Life Insurance provides death benefits for employees covered under basic employee benefit plans. We offer an accelerated death benefit rider, waiver of premium, family and medical leave of absence coverage, counseling services, dependent coverage and supplemental life coverage. A discount is available for employers who maintain a smoke-free workplace and provide wellness programs.

Group Dental Insurance provides benefits for periodic preventive dentistry and specialized dental conditions with a variety of options under regular, cafeteria or managed care programs.

Group Vision Insurance provides coverage for employee's annual vision exams and provisions for corrective lenses with frames and contact lenses. Options vary according to selected coverage.

Reliance Standard Voluntary Plans (RSVP) provides voluntary Term Life, Disability Income, and Accidental Death & Dismemberment to meet the unique needs of employers and their employees. These employee-paid benefits offer popular insurance coverages at lower group rates, through the convenience of payroll deductions.

Voluntary Group Term Life Insurance offers term life insurance to employees and dependents. Smoker and non-smoker rates are available.

Voluntary Group Disability Income Insurance integrates short-term and long-term disability, and features flexible elimination periods and maximums.

Voluntary Accidental Death & Dismemberment Insurance provides coverage against a variety of accidental death and dismemberment risks, and is offered as an employer-paid or voluntary benefit. Optional benefits include: education assistance for dependents, seat belt benefits, day care provisions, permanent and total disability benefits and felonious assault coverage.

Medical Stop-Loss Insurance represents an innovative coverage that RSL can now offer to clients that have chosen to partially self-fund their health care expenses.

Administrative Services Only (ASO) contracts help employers who self-insure to control and manage employee disabilities more effectively. We offer a full range of quality claims management programs that can start from day one and last until the employee is ready to return to work.

ASSET ACCUMULATION VEHICLES

RSL offers a complete portfolio of fixed rate annuity products that provide both guaranteed returns and preservation of capital. RSL's innovative products are specifically designed to help individuals accumulate assets and when the time comes, convert those assets into a retirement income. RSL's annuities can be issued on a non-qualified basis or tax-qualified as an IRA or Roth IRA.

We offer Single and Flexible Premium Deferred Annuities with interest rate guarantees of 1, 3, 5, 6, and 7 years. Our consumer-friendly features allow for penalty-free withdrawals and a waiver of surrender charges in the event of nursing home confinement or terminal illness.

Single Premium Immediate Annuities are well suited for individuals seeking a periodic payout from a lump-sum amount. We offer period certain immediate annuities for payment periods of three through ten years.





MATRIX ABSENCE MANAGEMENT, INC.

Matrix Absence Management, Inc. (Matrix) provides comprehensive consulting, administration and case management services that integrate employee absence management with a full array of insurance coverages and self-funded options. It provides a single point of accountability for all employee absences, including short-term disability, long-term disability, workers' compensation, return-to-work services and leave management programs.

Services include:

- **Account Management** - provides the consulting guidance you need in order to maximize your absence management program.
- **Intake Center** - establishes a single point of contact for reporting absences, and ensures prompt, effective management and communication of all absence events.
- **Leave Tracking and Management** - assumes the burden of all tracking, management and reporting responsibilities associated with leave management. This program can address the full range of absences: FMLA, Family Rights Act, Maternity Leave, Paternal Leave, Bereavement, Sabbatical, Military, Jury Duty and other company-specific programs.

- **Integrated Workers' Compensation Management** - manages claims to facilitate an employee's recovery and timely return to work.

- **Integrated Disability Management** - combines the administration of short-term and long-term Disability plans, insured or self-insured, statutory or voluntary.

- **Nurse Case Management/Return-To-Work Services** - intervenes in claims, increasing the likelihood of a timely return to work. Works with the claimant's medical providers on developing action plans to improve medical outcomes. Matches what your employees can do with modifications in environment or alternate work duties.

- **Internet Services** - offers enriched communications, program analysis and the transfer of information.

SAFETY NATIONAL CASUALTY CORPORATION

Safety National Casualty Corp. (SNCC) offers 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** - provides specific and aggregate excess workers' compensation coverage to self-insured employers. Self-insuring workers' compensation provides the employer with a greater degree of control and significant cash flow advantages over first-dollar insurance programs.

- **Self-Insured Bonds** - satisfy most state requirements for employers to post security before receiving authority to self-insure. SNCC is a major provider of these bonds to self-insured employers.

- **Large Deductible Workers' Compensation** - allows employers to achieve many of the benefits of self-insurance. SNCC provides coverage above the deductible amount paid by the employer. Aggregate coverage is also available to limit overall exposure.

- **Alternative Risk Services** - help employers explore captive formation or alternative risk financing plans.

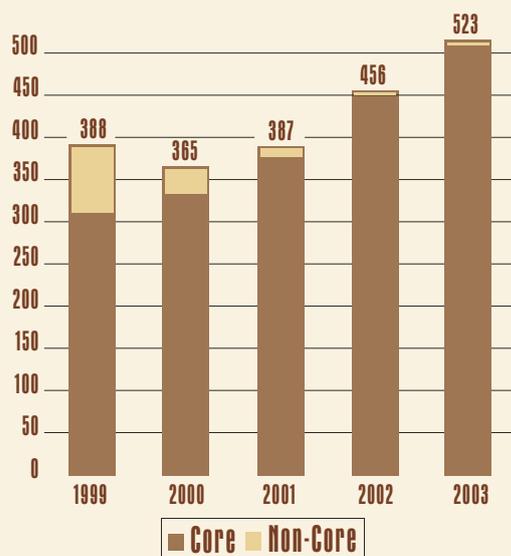
NOTE: Insurance products and services are provided through Reliance Standard Life Insurance Company in all states (except New York), the District of Columbia, Puerto Rico & the U.S. Virgin Islands. Product availability and features may vary by state.

FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE SHEETS

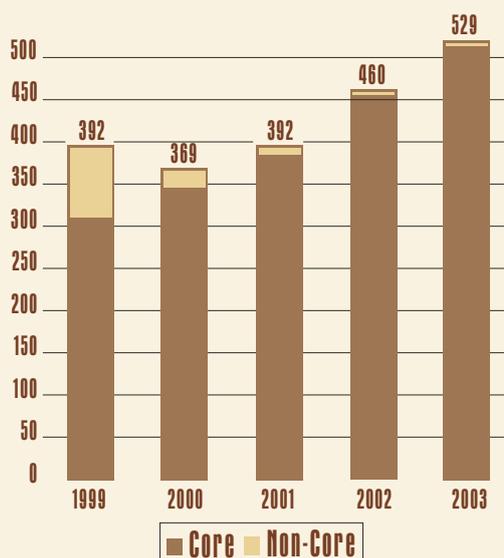
(Dollars in Millions)
(GAAP Basis)

DECEMBER 31,	2003	2002
Assets:		
<i>Invested Assets</i>	\$ 2,200	\$ 2,032
<i>Other Assets</i>	665	608
Total Assets	<u>\$ 2,865</u>	<u>\$ 2,640</u>
Liabilities:		
<i>Policy Liabilities and Accruals</i>	\$ 1,882	\$ 1,743
<i>Liabilities Related to Investing Activities</i>	136	193
<i>Other Liabilities</i>	346	281
Total Liabilities	<u>2,364</u>	<u>2,217</u>
Equity	<u>501</u>	<u>423</u>
Total Liabilities and Equity	<u>\$ 2,865</u>	<u>\$ 2,640</u>



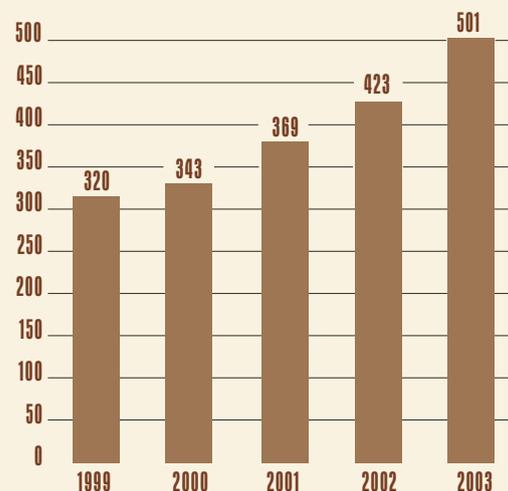
GROUP PREMIUMS

(Dollars in Millions)



PREMIUM & FEE INCOME

(Dollars in Millions)



EQUITY

(Dollars in Millions)



2003 RELIANCE STANDARD LIFE SENIOR OFFICERS

The senior officers of Reliance Standard Life Insurance Company are from left to right: Warren Cohen—Vice President, Actuarial; Dan R. Green—Vice President, Underwriting; Thomas W. Burghart—Vice President and Treasurer; Lawrence E. Daurrelle—President and Chief Executive Officer; Christopher A. Fazzini—Senior Vice President, Sales and Marketing; Debra G. Staples—Vice President, Claims Administration and Frank W. Newdeck—Vice President, Information Services.

SALES OFFICES

Atlanta
(800) 535-6018

Boston
(800) 527-1753

Charlotte
(800) 833-1207

Chicago
(800) 922-0509

Cincinnati
(800) 884-1447

Dallas
(800) 261-0269

Denver
(800) 251-1090

Ft. Lauderdale
(877) 268-7606

Houston
(800) 392-5882

Kansas City
(888) 857-4801

Los Angeles
(877) 269-9717

Michigan
(800) 526-4402

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

Northern California
(800) 843-9851

Orlando
(800) 221-2693

Philadelphia
(800) 321-2347

Phoenix
(800) 992-4775

Pittsburgh
(800) 441-9157

Rochester, First Reliance
Standard Life Insurance Company
(800) 613-7600

Seattle
(800) 336-3792

Southern California
(800) 762-3059

St. Louis
(800) 445-4662

Twin Cities
(800) 346-0410

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

Wisconsin
(877) 328-5285

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Administrative Office:
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Philadelphia, PA 19103
(800) 351-7500

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5225 Hellyer Avenue, Suite 210
San Jose, CA 95138
(800) 980-1006

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

RELIANCE STANDARD
Life Insurance Company

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