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**FINANCIAL  
SUPPLEMENT**

**THIRD QUARTER 2009**

**DELPHI FINANCIAL GROUP, INC.**  
**Financial Supplement**  
**Third Quarter 2009**

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Delphi Financial Group, Inc. (“Delphi”) is an integrated employee benefit services company. Delphi is a leader in managing all aspects of employee absence to enhance the productivity of its clients and provides the related group insurance coverages: long-term and short-term disability, excess workers’ compensation for self-insured employers, assumed workers’ compensation and casualty reinsurance, life, travel accident, dental and limited benefit health insurance. Delphi’s asset accumulation business emphasizes individual fixed annuity products. Delphi’s common stock is listed on the New York Stock Exchange under the symbol DFG and its corporate website address is [www.delphifin.com](http://www.delphifin.com).

This report is for informational purposes only. It should be read in conjunction with documents filed by Delphi with the Securities and Exchange Commission, including the most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and earnings press releases furnished on Form 8-K. The interim financial statements and related data included herein are unaudited. This report is dated October 27, 2009. Information contained in this report may not be accurate after such date. Delphi does not undertake a duty to update this information after such date.

In addition to financial measures presented in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), Delphi also uses certain non-GAAP financial measures to analyze and report its financial results. These non-GAAP financial measures are not a substitute for GAAP financial measures and may not be calculated in the same manner as similarly titled captions in other companies’ financial statements. Management believes these non-GAAP financial measures are informative when analyzing the trends relating to Delphi’s insurance operations. Management uses these non-GAAP financial measures to assess performance and make operating plans and decisions, and believes that these measures enhance the understanding of Delphi’s results by enhancing focus on the financial performance of Delphi’s insurance operations.

Operating earnings, which is a non-GAAP financial measure, consist of income from continuing operations excluding after-tax realized investment gains and losses and losses on redemptions of junior subordinated deferrable interest debentures, as applicable. Delphi believes that because realized investment gains and losses, redemptions of junior subordinated deferrable interest debentures and discontinued operations arise from events that, to a significant extent, are within management’s discretion and can fluctuate significantly, thus distorting comparisons between periods, a measure excluding their impact is useful in analyzing Delphi’s operating trends. Investment gains or losses may be realized based on management’s decision to dispose of an investment, and investment losses may be realized based on management’s judgment that a decline in the market value of an investment is other than temporary. Redemptions of junior subordinated deferrable interest debentures occur based on management’s decision to exercise its ability to redeem the outstanding debentures. Discontinued operations occur based on management’s decision to exit or sell a particular business. Therefore, realized investment gains and losses, losses on redemptions of junior subordinated deferrable interest debentures and results from discontinued operations are not reflective of Delphi’s ongoing earnings capacity, and trends in the earnings of Delphi’s underlying insurance operations can be more clearly identified without the effects of these items. However, gains and losses of these types, particularly as to investments, are likely to occur frequently and should not be considered as nonrecurring items. Further, operating earnings should not be considered a substitute for net income, the most directly comparable GAAP measure, as an indication of the Company’s overall financial performance and may not be calculated in the same manner as similarly titled captions in other companies’ financial statements. For reconciliations of the respective operating earnings amounts to the corresponding net income amounts for the indicated periods, see the table captioned “Non-GAAP Financial Measures – Reconciliation to GAAP” which follows. All per share amounts are on a diluted basis.

Annualized operating return on beginning equity, which is a non-GAAP financial measure, is based on operating earnings, as defined in the preceding paragraph (rather than the most directly comparable GAAP measure, net income), divided by beginning shareholders’ equity. For the reasons that Delphi believes that the calculation of this non-GAAP measure based upon operating earnings is useful, see such paragraph. For reconciliations of the respective annualized operating return on equity amounts for the indicated periods to the corresponding annualized net income return on equity amounts, see the table captioned “Non-GAAP Financial Measures – Reconciliation to GAAP” which follows at page 10.

For purposes of the calculations of diluted book value per share before accumulated other comprehensive income and loss and the corporate debt to total capitalization ratio before accumulated other comprehensive income and loss, which are non-GAAP financial measures, the effect of accumulated other comprehensive income and loss is excluded from shareholders’ equity. Delphi believes that, because accumulated other comprehensive income and loss fluctuates from period to period primarily due to changes in the value of its assets resulting from variations in market interest rates, while the values of its liabilities are not similarly marked to market in determining diluted book value per share and corporate debt to total capitalization ratio (the most directly comparable GAAP measures), these non-GAAP measures are useful in analyzing Delphi’s operating trends and capital structure.

Reconciliations of each of the non-GAAP measures discussed above to the most directly comparable GAAP measures are presented on page 10.

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**DELPHI FINANCIAL GROUP, INC.**  
**Selected Financial Highlights**  
(Dollars In Thousands, Except Per Share Data)

<u>For period ended:</u>	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Year Ended</u>	
	<u>09/30/2009</u>	<u>09/30/2008</u>	<u>09/30/2009</u>	<u>09/30/2008</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Operating earnings <sup>(A)</sup>	\$ 53,621	\$ 12,510	\$ 147,268	\$ 77,387	\$ 94,387	\$ 167,170
Per common share, assuming dilution <sup>(A)</sup>	1.00	0.26	2.91	1.57	1.93	3.24
Weighted average shares outstanding (diluted)	53,385	47,936	50,617	49,259	48,963	51,579
Annualized operating return on beginning shareholders' equity <sup>(A)</sup>	20.4%	4.8%	23.9%	9.0%	8.3%	15.3%
<u>At period ended:</u>				<u>09/30/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Assets			\$ 6,951,882	\$ 5,953,873	\$ 6,094,810	
Corporate debt <sup>(B)</sup>			365,750	350,750	217,750	
Junior subordinated debentures			175,000	175,000	175,000	
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries			-	-	20,619	
Shareholders' equity			1,333,062	820,579	1,141,390	
Diluted book value per share of common stock <sup>(C)</sup>			\$ 23.99	\$ 17.05	\$ 23.28	
Diluted book value per share of common stock before accumulated other comprehensive loss <sup>(A)</sup>			24.80	24.27	24.07	
Corporate debt to total capitalization ratio <sup>(D)</sup>			19.5%	26.1%	14.0%	
Corporate debt to total capitalization ratio before accumulated other comprehensive loss <sup>(A)</sup>			19.0%	20.7%	13.6%	

<sup>(A)</sup> Please see page 10 for reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures.

<sup>(B)</sup> Corporate debt consists of \$143.8 million of Senior Notes due in 2033 and outstanding borrowings under the Company's revolving credit facility.

<sup>(C)</sup> Diluted book value per share is calculated by dividing shareholders' equity, as increased by the proceeds and tax benefit from the assumed exercise of outstanding in-the-money stock options and the tax benefit from the assumed issuance of the shares underlying outstanding deferred share awards, by the number of total shares outstanding, increased by shares issued as result of such assumed option exercises and deferred share issuances. Shareholders' equity, as so increased, was \$1,370.7 million, \$831.2 million and \$1,253.7 million as of 9/30/2009, 12/31/2008 and 12/31/2007, respectively. The number of outstanding shares, as so increased, was 57.1 million, 48.7 million and 53.9 million as of 9/30/2009, 12/31/2008 and 12/31/2007, respectively.

<sup>(D)</sup> The corporate debt to total capitalization ratio is calculated by dividing corporate debt by the sum of corporate debt, junior subordinated debentures, junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries, and shareholders' equity.

**DELPHI FINANCIAL GROUP, INC.**  
**Quarterly Historical Operating Results by Product Category**  
(Dollars in Thousands)

	09/30/2009	06/30/2009	03/31/2009	12/31/2008	09/30/2008	06/30/2008	03/31/2008	12/31/2007
Premium and fee income:								
Group employee benefit products	\$ 332,136	\$ 341,396	\$ 346,125	\$ 345,307	\$ 334,606	\$ 330,585	\$ 332,525	\$ 321,704
Asset accumulation products	244	368	519	461	445	421	591	626
Other	10,230	10,681	11,077	11,030	9,977	9,768	9,174	9,303
Total premium and fee income	<u>342,610</u>	<u>352,445</u>	<u>357,721</u>	<u>356,798</u>	<u>345,028</u>	<u>340,774</u>	<u>342,290</u>	<u>331,633</u>
Net investment income:								
Group employee benefit products	53,673	55,140	35,396	11,938	7,372	36,364	15,556	39,430
Asset accumulation products	32,531	35,096	26,982	8,962	10,073	22,963	15,925	25,994
Other	2,478	1,787	477	1,456	1,962	1,423	856	1,945
Total investment income	<u>88,682</u>	<u>92,023</u>	<u>62,855</u>	<u>22,356</u>	<u>19,407</u>	<u>60,750</u>	<u>32,337</u>	<u>67,369</u>
Benefits and expenses:								
Group employee benefit products	311,131	317,765	322,686	321,943	308,999	303,607	303,631	296,955
Asset accumulation products	18,983	21,797	19,463	17,057	16,764	16,685	12,465	19,221
Other	20,522	21,507	19,583	12,815	18,103	18,146	16,709	17,179
Total benefits and expenses	<u>350,636</u>	<u>361,069</u>	<u>361,732</u>	<u>351,815</u>	<u>343,866</u>	<u>338,438</u>	<u>332,805</u>	<u>333,355</u>
Operating income (loss):								
Group employee benefit products	74,678	78,771	58,835	35,302	32,979	63,342	44,450	64,179
Asset accumulation products	13,792	13,667	8,038	(7,634)	(6,246)	6,699	4,051	7,399
Other	(7,814)	(9,039)	(8,029)	(329)	(6,164)	(6,955)	(6,679)	(5,931)
	<u>80,656</u>	<u>83,399</u>	<u>58,844</u>	<u>27,339</u>	<u>20,569</u>	<u>63,086</u>	<u>41,822</u>	<u>65,647</u>
Net realized investment losses	(50,459)	(27,471)	(21,999)	(28,502)	(33,740)	(19,499)	(6,436)	(972)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	-	-	-	(598)	-	-	-
Operating income (loss)	<u>\$ 30,197</u>	<u>\$ 55,928</u>	<u>\$ 36,845</u>	<u>\$ (1,163)</u>	<u>\$ (13,769)</u>	<u>\$ 43,587</u>	<u>\$ 35,386</u>	<u>\$ 64,675</u>

**DELPHI FINANCIAL GROUP, INC.**  
**Consolidated Statements of Income**  
**Group Employee Benefit Products**  
(Dollars in Thousands)

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/2009	09/30/2008	09/30/2009	09/30/2008	12/31/2008	12/31/2007
Revenue:						
Premium income:						
Core products:						
Disability, principally long-term	\$ 135,640	\$ 142,706	\$ 422,810	\$ 425,499	\$ 572,630	\$ 527,500
Life	95,822	100,757	300,132	301,718	402,928	364,771
Excess workers' compensation	68,713	66,172	205,533	196,901	264,244	276,252
Assumed workers' compensation and casualty reinsurance <sup>(A)</sup>	10,354	6,022	25,440	15,989	22,369	17,614
Travel accident, dental and other	19,311	17,483	59,523	51,309	70,205	59,411
	<u>329,840</u>	<u>333,140</u>	<u>1,013,438</u>	<u>991,416</u>	<u>1,332,376</u>	<u>1,245,548</u>
Non-core products	2,296	1,466	6,219	6,300	10,647	22,044
	<u>332,136</u>	<u>334,606</u>	<u>1,019,657</u>	<u>997,716</u>	<u>1,343,023</u>	<u>1,267,592</u>
Net investment income	<u>53,673</u>	<u>7,372</u>	<u>144,209</u>	<u>59,292</u>	<u>71,230</u>	<u>163,701</u>
	<u>385,809</u>	<u>341,978</u>	<u>1,163,866</u>	<u>1,057,008</u>	<u>1,414,253</u>	<u>1,431,293</u>
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	226,371	230,222	702,280	691,176	933,215	890,918
Commissions	22,888	23,491	69,807	66,504	90,642	85,861
Amortization of cost of business acquired	24,685	21,426	68,682	59,293	81,961	72,725
Other operating expenses	37,187	33,860	110,813	99,264	132,362	122,302
	<u>311,131</u>	<u>308,999</u>	<u>951,582</u>	<u>916,237</u>	<u>1,238,180</u>	<u>1,171,806</u>
Operating income	<u>\$ 74,678</u>	<u>\$ 32,979</u>	<u>\$ 212,284</u>	<u>\$ 140,771</u>	<u>\$ 176,073</u>	<u>\$ 259,487</u>
Production (new annualized gross premium):						
Core products:						
Disability, principally long-term <sup>(B)</sup>	\$ 24,692	\$ 32,345	\$ 69,188	\$ 88,729	\$ 134,215	\$ 135,375
Life	10,928	19,622	34,073	59,393	94,681	87,210
Excess workers' compensation <sup>(C)</sup>	15,674	11,436	41,003	19,409	25,832	30,092
Assumed workers' compensation and casualty reinsurance <sup>(A)</sup>	7,760	4,078	19,784	10,341	10,652	8,862
Travel accident, dental and other	13,131	10,746	37,698	30,616	46,945	43,662
	<u>72,185</u>	<u>78,227</u>	<u>201,746</u>	<u>208,488</u>	<u>312,325</u>	<u>305,201</u>
Non-core products	<u>1,381</u>	<u>2,269</u>	<u>5,093</u>	<u>6,911</u>	<u>10,260</u>	<u>9,825</u>
Total production	<u>\$ 73,566</u>	<u>\$ 80,496</u>	<u>\$ 206,839</u>	<u>\$ 215,399</u>	<u>\$ 322,585</u>	<u>\$ 315,026</u>
Loss ratio (percent of total premium)	68.2%	68.8%	68.9%	69.3%	69.5%	70.3%
Expense ratio (percent of total premium)	25.5%	23.5%	24.4%	22.5%	22.7%	22.1%
Combined ratio (loss and expense ratio)	93.7%	92.3%	93.3%	91.8%	92.2%	92.4%
Persistency ratio:						
Disability, principally long-term					83.1%	84.9%
Life					84.6%	84.4%
Travel accident and other					87.8%	87.0%
Renewal ratio:						
Excess workers' compensation					93.1%	87.6%

<sup>(A)</sup> Beginning with the three months ended 09/30/2009, this product is included in the Company's core products. Accordingly, to assist in comparability with prior periods, this product has also been included in core products for prior periods.

<sup>(B)</sup> Beginning with the three months ended 09/30/2009, production from the Company's turnkey disability product is included in disability production. Accordingly, to assist in comparability with prior periods, production from the turnkey disability product has also been included in disability production for prior periods.

<sup>(C)</sup> Total excess workers' compensation production per above,	\$ 15,674	\$ 11,436	\$ 41,003	\$ 19,409	\$ 25,832	\$ 30,092
less production from ERC renewal rights agreement	-	-	-	-	-	3,383
Total production excluding ERC renewal rights agreement	<u>\$ 15,674</u>	<u>\$ 11,436</u>	<u>\$ 41,003</u>	<u>\$ 19,409</u>	<u>\$ 25,832</u>	<u>\$ 26,709</u>

**DELPHI FINANCIAL GROUP, INC.**  
**Consolidated Statements of Income**  
**Asset Accumulation Products**  
(Dollars in Thousands)

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/2009	09/30/2008	09/30/2009	09/30/2008	12/31/2008	12/31/2007
Revenue:						
Premium and fee income	\$ 244	\$ 445	\$ 1,131	\$ 1,457	\$ 1,918	\$ 2,666
Net investment income	32,531	10,073	94,609	48,961	57,923	98,477
	<u>32,775</u>	<u>10,518</u>	<u>95,740</u>	<u>50,418</u>	<u>59,841</u>	<u>101,143</u>
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	14,245	13,773	45,182	39,619	55,285	52,814
Commissions	395	355	851	699	809	494
Amortization of cost of business acquired	2,055	388	7,535	(834)	(1,550)	8,497
Other operating expenses	2,288	2,248	6,675	6,430	8,427	7,827
	<u>18,983</u>	<u>16,764</u>	<u>60,243</u>	<u>45,914</u>	<u>62,971</u>	<u>69,632</u>
Operating income (loss)	<u>\$ 13,792</u>	<u>\$ (6,246)</u>	<u>\$ 35,497</u>	<u>\$ 4,504</u>	<u>\$ (3,130)</u>	<u>\$ 31,511</u>
Sales	\$ 57,527	\$ 43,968	\$ 232,177	\$ 195,798	\$ 245,117	\$ 107,145
Funds under management (at end of period)			\$ 1,423,487	\$ 1,311,291	\$ 1,327,502	\$ 1,053,221

**DELPHI FINANCIAL GROUP, INC.**  
**Consolidated Statements of Income**  
**Total Operations**  
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended		Nine Months Ended	
	09/30/2009	09/30/2008	09/30/2009	09/30/2008
Revenue:				
Premium and fee income	\$ 342,610	\$ 345,028	\$ 1,052,776	\$ 1,028,092
Net investment income	88,682	19,407	243,560	112,494
Net realized investment losses:				
Total other than temporary impairment losses	(73,771)	(28,173)	(137,007)	(52,479)
Less: Portion of other than temporary impairment losses recognized in other comprehensive income	21,748	-	42,467	-
Net impairment losses recognized in earnings	(52,023)	(28,173)	(94,540)	(52,479)
Other net realized investment gains (losses)	1,564	(5,567)	(5,389)	(7,196)
	(50,459)	(33,740)	(99,929)	(59,675)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	(598)	-	(598)
	<u>380,833</u>	<u>330,097</u>	<u>1,196,407</u>	<u>1,080,313</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	240,956	244,042	748,361	730,709
Commissions and expenses	109,680	99,824	325,076	284,400
	<u>350,636</u>	<u>343,866</u>	<u>1,073,437</u>	<u>1,015,109</u>
Operating income (loss)	30,197	(13,769)	122,970	65,204
Interest expense:				
Corporate debt	3,806	4,427	11,667	12,940
Junior subordinated debentures	3,247	3,240	9,728	9,726
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	177	-	934
Income tax expense (benefit)	2,321	(11,803)	19,261	3,395
Net income (loss)	<u>\$ 20,823</u>	<u>\$ (9,810)</u>	<u>\$ 82,314</u>	<u>\$ 38,209</u>
Basic results per share of common stock:				
Net income (loss)	\$ 0.39	\$ (0.20)	\$ 1.63	\$ 0.79
Weighted average shares outstanding	52,947	47,936	50,376	48,379
Diluted results per share of common stock:				
Net income (loss)	\$ 0.39	\$ (0.20)	\$ 1.63	\$ 0.78
Weighted average shares outstanding	53,385	47,936	50,617	49,259
Dividends paid per share of common stock	\$ 0.10	\$ 0.10	\$ 0.30	\$ 0.29

**DELPHI FINANCIAL GROUP, INC.**  
**Summarized Consolidated Balance Sheets**  
(Dollars In Thousands)

	<u>09/30/2009</u>	<u>12/31/2008</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 4,608,184	\$ 3,773,382
Short-term investments	572,802	401,620
Other investments	<u>542,047</u>	<u>479,921</u>
	5,723,033	4,654,923
Cash	82,269	63,837
Cost of business acquired	244,930	264,777
Reinsurance receivables	378,277	376,731
Goodwill	93,929	93,929
Other assets	320,428	409,103
Assets held in separate account	<u>109,016</u>	<u>90,573</u>
Total assets	<u>\$ 6,951,882</u>	<u>\$ 5,953,873</u>
Liabilities and Equity:		
Policy liabilities and accruals	\$ 2,771,885	\$ 2,574,050
Policyholder account balances	1,452,332	1,356,932
Corporate debt	365,750	350,750
Junior subordinated debentures	175,000	175,000
Other liabilities and policyholder funds	740,539	581,954
Liabilities related to separate account	<u>109,016</u>	<u>90,573</u>
Total liabilities	<u>5,614,522</u>	<u>5,129,259</u>
Equity:		
Class A Common Stock	559	489
Class B Common Stock	60	60
Additional paid-in capital	659,683	522,596
Accumulated other comprehensive loss	(46,303)	(351,710)
Retained earnings	916,309	846,390
Treasury stock, at cost	<u>(197,246)</u>	<u>(197,246)</u>
Total shareholders' equity	1,333,062	820,579
Noncontrolling interest	<u>4,298</u>	<u>4,035</u>
Total equity	<u>1,337,360</u>	<u>824,614</u>
Total liabilities and equity	<u>\$ 6,951,882</u>	<u>\$ 5,953,873</u>

**DELPHI FINANCIAL GROUP, INC.**  
**Consolidated Statements of Cash Flows**  
(Dollars In Thousands)

	Nine Months Ended	
	09/30/09	09/30/08
Operating activities:		
Net income	\$ 82,314	\$ 38,209
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	225,538	194,967
Net change in reinsurance receivables and payables	(4,613)	18,901
Amortization, principally the cost of business acquired and investments	38,295	46,601
Deferred costs of business acquired	(97,936)	(94,043)
Net realized losses on investments	99,929	59,675
Net change in federal income tax liability	6,632	(53,654)
Other	(14,101)	56,828
Net cash provided by operating activities	336,058	267,484
Investing activities:		
Purchases of investments and loans made	(1,206,214)	(1,012,307)
Sales of investments and receipts from repayment of loans	177,957	348,569
Maturities of investments	637,166	311,840
Net change in short-term investments	(171,162)	(158,961)
Change in deposit in separate account	4,845	10,547
Net cash used by investing activities	(557,408)	(500,312)
Financing activities:		
Deposits to policyholder accounts	242,614	335,082
Withdrawals from policyholder accounts	(131,337)	(83,382)
Borrowings under revolving credit facility	17,000	79,000
Principal payments under revolving credit facility	(2,000)	(6,000)
Redemptions of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	(20,619)
Proceeds from issuance of common stock	121,121	-
Acquisition of treasury stock	-	(42,729)
Cash dividends paid on Common Stock	(14,767)	(13,715)
Other financing activities	7,151	3,200
Net cash provided by financing activities	239,782	250,837
Increase in cash	18,432	18,009
Cash at beginning of period	63,837	51,240
Cash at end of period	\$ 82,269	\$ 69,249

**DELPHI FINANCIAL GROUP, INC.**  
**Analysis of Cost of Business Acquired**  
(Dollars in Thousands)

	Group Employee Benefit Products	Asset Accumulation Products <sup>(A)</sup>	Total
Balance as of December 31, 2004	\$ 166,337	\$ 46,212	\$ 212,549
Deferred	83,324	6,277	89,601
Amortized	(62,120)	(7,161)	(69,281)
Equity adjustment	-	15,269	15,269
Balance as of December 31, 2005	187,541	60,597	248,138
Deferred	92,449	7,811	100,260
Amortized	(70,560)	(10,208)	(80,768)
Equity adjustment	-	290	290
Balance as of December 31, 2006	209,430	58,490	267,920
Cumulative effect adjustment <sup>(B)</sup>	(127,004)	-	(127,004)
Balance as of January 1, 2007	82,426	58,490	140,916
Deferred	101,284	7,290	108,574
Amortized	(72,725)	(8,497)	(81,222)
Equity adjustment	-	6,162	6,162
Balance as of December 31, 2007	110,985	63,445	174,430
Deferred	110,675	13,854	124,529
Amortized	(81,961)	1,550	(80,411)
Equity adjustment	-	46,229	46,229
Balance as of December 31, 2008	139,699	125,078	264,777
Deferred	83,421	14,515	97,936
Amortized	(68,682)	(7,535)	(76,217)
Equity adjustment	-	(41,566)	(41,566)
Balance as of September 30, 2009	<u>\$ 154,438</u>	<u>\$ 90,492</u>	<u>\$ 244,930</u>

<sup>(A)</sup> The equity adjustment reflects increases or decreases in cost of business acquired in relation to changes in unrealized gains or losses on fixed maturity securities available for sale which are reported as a separate component of equity.

<sup>(B)</sup> The cumulative effect adjustment represents the decrease in cost of business acquired as a result of the adoption of the American Institute of Certified Public Accountants' Statement of Position 05-1, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts." This adjustment also resulted in a corresponding decrease to beginning retained earnings of \$82.6 million, net of the related tax benefit of \$44.4 million.

**DELPHI FINANCIAL GROUP, INC.**  
**Certain Investment Portfolio Data**  
**As of September 30, 2009**  
**(Dollars in Thousands)**

Sub-Prime Residential Mortgage Backed Securities - Carrying Value

Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2002	-	-	-	-	-	-	-	0%
2003	8,694	-	-	-	-	-	8,694	15%
2004	13,472	1,436	-	4,363	615	146	20,032	34%
2005	22,404	-	453	-	-	-	22,857	39%
2006	3,783	152	-	994	-	101	5,030	9%
2007	-	-	1,697	-	-	22	1,719	3%
2008	-	-	-	-	-	-	-	0%
2009	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>\$ 48,353</b>	<b>\$ 1,588</b>	<b>\$ 2,150</b>	<b>\$ 5,357</b>	<b>\$ 615</b>	<b>\$ 269</b>	<b>\$ 58,332</b>	<b>100%</b>
% of Total	83%	3%	4%	9%	1%	0%	100%	

Alt-A Residential Mortgage Backed Securities - Carrying Value

Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ 2,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,178	1%
2002	487	-	-	-	-	-	487	0%
2003	16,263	-	-	-	-	5,258	21,521	7%
2004	11,907	1,172	-	822	17	2,305	16,223	5%
2005	19,169	-	8,251	-	1,136	24,420	52,976	18%
2006	20,217	41	-	10,043	2,778	68,763	101,842	34%
2007	-	-	-	9	1,072	104,519	105,600	35%
2008	-	-	-	-	-	-	-	0%
2009	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>\$ 70,221</b>	<b>\$ 1,213</b>	<b>\$ 8,251</b>	<b>\$ 10,874</b>	<b>\$ 5,003</b>	<b>\$ 205,265</b>	<b>\$ 300,827</b>	<b>100%</b>
% of Total	23%	0%	3%	4%	2%	68%	100%	

Commercial Mortgage Backed Securities - Carrying Value

Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ 3,574	\$ 2,740	\$ 5,186	\$ -	\$ -	\$ -	\$ 11,500	41%
2002	3,435	459	-	1,979	2,604	-	8,477	31%
2003	-	-	-	-	-	-	-	0%
2004	-	-	-	-	-	-	-	0%
2005	-	-	-	-	467	-	467	2%
2006	-	-	-	-	266	243	509	2%
2007	-	-	-	781	842	1,157	2,780	10%
2008	1,378	618	-	-	1,180	776	3,952	14%
2009	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>\$ 8,387</b>	<b>\$ 3,817</b>	<b>\$ 5,186</b>	<b>\$ 2,760</b>	<b>\$ 5,359</b>	<b>\$ 2,176</b>	<b>\$ 27,685</b>	<b>100%</b>
% of Total	30%	14%	19%	10%	19%	8%	100%	

Municipal Securities - Underlying Rating - Carrying Value

	Aaa	Aa	A	Baa	Ba and Below	Not Rated	Total	% of Total
Insured	\$ 88,297	\$ 429,186	\$ 252,797	\$ 40,284	\$ 6,609	\$ 328,459	\$ 1,145,632	70%
Uninsured	98,308	164,758	179,669	41,290	684	-	484,709	30%
<b>Total</b>	<b>\$ 186,605</b>	<b>\$ 593,944</b>	<b>\$ 432,466</b>	<b>\$ 81,574</b>	<b>\$ 7,293</b>	<b>\$ 328,459</b>	<b>\$ 1,630,341</b>	<b>100%</b>
% of Total	11%	37%	27%	5%	0%	20%	100%	

**DELPHI FINANCIAL GROUP, INC.**  
**Non-GAAP Financial Measures**  
**Reconciliation to GAAP**  
(Dollars In Thousands, Except Per Share Data)

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/2009	09/30/2008	09/30/2009	09/30/2008	12/31/2008	12/31/2007
<b><u>Income Statement Data</u></b>						
<b>Operating earnings</b>	\$ 53,621	\$ 12,510	\$ 147,268	\$ 77,387	\$ 94,387	\$ 167,170
Net realized investment losses, net of taxes	(32,798)	(21,931)	(64,954)	(38,789)	(57,315)	(1,233)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	(389)	-	(389)	(389)	(1,425)
<b>Net income (loss) (GAAP measure)</b>	\$ 20,823	\$ (9,810)	\$ 82,314	\$ 38,209	\$ 36,683	\$ 164,512
<b>Diluted results per share of common stock:</b>						
<b>Operating earnings</b>	\$ 1.00	\$ 0.26	\$ 2.91	\$ 1.57	\$ 1.93	\$ 3.24
Net realized investment losses, net of taxes	(0.61)	(0.45)	(1.28)	(0.78)	(1.17)	(0.02)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	(0.01)	-	(0.01)	(0.01)	(0.03)
<b>Net income (loss) (GAAP measure)</b>	\$ 0.39	\$ (0.20)	\$ 1.63	\$ 0.78	\$ 0.75	\$ 3.19
<b>Annualized operating return on beginning shareholders' equity</b>	20.4%	4.8%	23.9%	9.0%	8.3%	15.3%
<b>Annualized net income return on beginning shareholders' equity (GAAP measure)</b>	7.9%	-3.8%	13.4%	4.5%	3.2%	15.1%
 <b><u>Balance Sheet Data</u></b>						
			09/30/09	12/31/2008	12/31/2007	
<b>Shareholders' equity, excluding accumulated other comprehensive loss</b>			\$ 1,379,365	\$ 1,172,289	\$ 1,183,887	
Add: Accumulated other comprehensive loss			(46,303)	(351,710)	(42,497)	
<b>Shareholders' equity (GAAP measure)</b>			\$ 1,333,062	\$ 820,579	\$ 1,141,390	
<b>Diluted book value per share of common stock, excluding accumulated other comprehensive loss</b>			\$ 24.80	\$ 24.27	\$ 24.07	
Add: Accumulated other comprehensive loss			(0.81)	(7.22)	(0.79)	
<b>Diluted book value per share of common stock (GAAP measure)</b>			\$ 23.99	\$ 17.05	\$ 23.28	
<b>Corporate debt to total capitalization ratio, excluding accumulated other comprehensive loss</b>			19.0%	20.7%	13.6%	
<b>Corporate debt to total capitalization ratio (GAAP measure)</b>			19.5%	26.1%	14.0%	