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**FINANCIAL  
SUPPLEMENT**

**THIRD QUARTER 2005**

**DELPHI FINANCIAL GROUP, INC.**  
**Financial Supplement**  
**Third Quarter 2005**

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Delphi Financial Group, Inc. 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 insurance coverages: long-term and short-term disability, group life, excess workers' compensation for self-insured employers, travel accident and dental. 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 25, 2005. 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. Delphi believes that because realized investment gains and losses 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. Therefore, realized investment gains and losses 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 gains and losses. However, realized investment gains and losses occur frequently and should not be considered as nonrecurring items.

Diluted book value per share of common stock before accumulated other comprehensive income is based on shareholders' equity excluding the effect of accumulated other comprehensive income. Delphi believes that, because accumulated other comprehensive income 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 under GAAP, this non-GAAP measure provides useful supplemental information.

A reconciliation of non-GAAP measures to the comparable GAAP measures is presented on page 9.

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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>09/30/05</u>	<u>09/30/04</u>	<u>09/30/05</u>	<u>09/30/04</u>	<u>12/31/04</u>	<u>12/31/03</u>
Operating earnings <sup>(A) (B)</sup>	\$ 19,824	\$ 31,247	\$ 78,569	\$ 84,346	\$ 113,494	\$ 90,645
Per common share, assuming dilution <sup>(A) (B)</sup>	0.59	0.95	2.35	2.57	3.45	2.83
Weighted average shares outstanding	33,709	32,999	33,425	32,878	32,941	32,023
Interest coverage ratio on corporate debt <sup>(A)</sup>	8.6x	12.0x	10.9x	12.2x	12.2x	10.6x
Annualized return on beginning equity <sup>(A)</sup>	7.9%	15.0%	11.1%	14.1%	14.2%	13.3%
 <u>At period ended:</u>			<u>09/30/05</u>	<u>12/31/04</u>	<u>12/31/03</u>	
Assets			\$ 5,185,564	\$ 4,829,467	\$ 4,177,532	
Corporate debt			178,750	157,750	143,750	
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries			59,762	59,762	-	
Company-obligated mandatorily redeemable capital securities of subsidiaries			-	-	56,050	
Shareholders' equity			1,016,370	939,848	798,440	
Diluted book value per share of common stock			\$ 30.90	\$ 29.36	\$ 25.49	
Diluted book value per share of common stock before accumulated other comprehensive income <sup>(A)</sup>			30.08	27.73	24.00	
Corporate debt to total capitalization ratio <sup>(C)</sup>			14.2%	13.6%	14.4%	

<sup>(A)</sup> Please see page 9 for a reconciliation of GAAP and non-GAAP financial measures.

<sup>(B)</sup> Results in the third quarter and first nine months of 2005 included losses, net of taxes and reinstatement premiums, of \$12.2 million (\$0.36 per diluted share) in the Company's non-core property catastrophe reinsurance business which cover the Company's maximum exposure to Hurricane Katrina. Results benefited from a release of federal income taxes payable of approximately \$4.6 million (\$0.14 per diluted share) in the third quarter and first nine months of 2004 and \$6.6 million (\$0.20 per diluted share) for the full year of 2004.

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

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

	<u>09/30/05</u>	<u>06/30/05</u>	<u>03/31/05</u>	<u>12/31/04</u>	<u>09/30/04</u>	<u>06/30/04</u>	<u>03/31/04</u>	<u>12/31/03</u>
Premium and fee income:								
Employee benefit products	\$ 249,766	\$ 242,820	\$ 232,585	\$ 212,356	\$ 203,781	\$ 200,160	\$ 194,279	\$ 184,153
Asset accumulation products	1,273	535	664	1,036	596	885	818	1,048
Other	6,278	6,496	6,351	6,154	5,915	6,004	5,613	5,994
Total premium and fee income	<u>257,317</u>	<u>249,851</u>	<u>239,600</u>	<u>219,546</u>	<u>210,292</u>	<u>207,049</u>	<u>200,710</u>	<u>191,195</u>
Net investment income:								
Employee benefit products	32,570	33,032	29,548	30,191	27,075	28,135	30,756	24,373
Asset accumulation products	20,361	20,220	22,026	21,366	19,574	18,677	19,742	19,478
Other	2,319	1,940	1,863	1,749	1,571	1,893	2,045	1,266
Total investment income	<u>55,250</u>	<u>55,192</u>	<u>53,437</u>	<u>53,306</u>	<u>48,220</u>	<u>48,705</u>	<u>52,543</u>	<u>45,117</u>
Benefits and expenses:								
Employee benefit products	251,544	228,744	219,485	201,925	191,088	188,899	185,548	171,029
Asset accumulation products	15,817	16,331	16,357	16,641	15,123	15,796	15,423	16,811
Other	12,773	11,368	10,325	10,899	9,628	9,728	8,906	9,482
Total benefits and expenses	<u>280,134</u>	<u>256,443</u>	<u>246,167</u>	<u>229,465</u>	<u>215,839</u>	<u>214,423</u>	<u>209,877</u>	<u>197,322</u>
Operating income:								
Employee benefit products	30,792	47,108	42,648	40,622	39,768	39,396	39,487	37,497
Asset accumulation products	5,817	4,424	6,333	5,761	5,047	3,766	5,137	3,715
Other	(4,176)	(2,932)	(2,111)	(2,996)	(2,142)	(1,831)	(1,248)	(2,222)
	<u>32,433</u>	<u>48,600</u>	<u>46,870</u>	<u>43,387</u>	<u>42,673</u>	<u>41,331</u>	<u>43,376</u>	<u>38,990</u>
Net realized investment gains	3,397	3,320	1,817	6,865	1,433	1,941	5,221	4,875
Operating income	<u>\$ 35,830</u>	<u>\$ 51,920</u>	<u>\$ 48,687</u>	<u>\$ 50,252</u>	<u>\$ 44,106</u>	<u>\$ 43,272</u>	<u>\$ 48,597</u>	<u>\$ 43,865</u>

Note: Results in the third quarter of 2005 include losses, net of reinstatement premiums, of \$18.8 million in the Company's non-core property catastrophe reinsurance business which cover the Company's maximum exposure to Hurricane Katrina.

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

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/05	09/30/04	09/30/05	09/30/04	12/31/04	12/31/03
Revenue:						
Premium income:						
Core products:						
Disability, principally long-term	\$ 99,472	\$ 74,383	\$ 291,457	\$ 212,601	\$ 290,743	\$ 233,437
Life	72,565	65,424	210,271	194,616	261,797	241,902
Excess workers' compensation	55,861	49,743	160,400	139,995	190,794	151,522
Travel accident, dental and other	8,625	9,823	30,074	31,186	41,656	46,792
	236,523	199,373	692,202	578,398	784,990	673,653
Non-core products	13,243	4,408	32,969	19,822	25,586	22,383
	249,766	203,781	725,171	598,220	810,576	696,036
Net investment income	32,570	27,075	95,150	85,966	116,157	100,338
	282,336	230,856	820,321	684,186	926,733	796,374
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	191,275	139,866	529,594	418,307	567,929	474,747
Commissions	17,141	15,612	47,987	43,607	61,004	53,631
Amortization of cost of business acquired	16,570	15,475	45,552	42,463	58,244	51,100
Other operating expenses	26,558	20,135	76,640	61,158	80,283	76,778
	251,544	191,088	699,773	565,535	767,460	656,256
Operating income	\$ 30,792	\$ 39,768	\$ 120,548	\$ 118,651	\$ 159,273	\$ 140,118
Production (new annualized gross premium):						
Core products:						
Disability, principally long-term	\$ 21,513	\$ 15,094	\$ 70,406	\$ 56,525	\$ 95,799	\$ 84,920
Life	15,009	11,997	48,998	43,517	64,555	68,200
Excess workers' compensation	17,705	11,371	34,271	21,262	28,408	45,058
Travel accident, dental and other	5,632	2,873	14,933	12,559	20,547	21,933
	59,859	41,335	168,608	133,863	209,309	220,111
Non-core products	4,989	2,495	18,815	14,854	16,681	14,513
Total production	\$ 64,848	\$ 43,830	\$ 187,423	\$ 148,717	\$ 225,990	\$ 234,624
Loss ratio (percent of total premium)	76.6%	68.6%	73.0%	69.9%	70.1%	68.2%
Expense ratio (percent of total premium)	24.1%	25.2%	23.5%	24.6%	24.6%	26.1%
Combined ratio (loss and expense ratio)	100.7%	93.8%	96.5%	94.5%	94.7%	94.3%
Persistency ratio:						
Disability, principally long-term					80.5%	86.6%
Life					82.5%	84.0%
Travel accident and other					82.9%	85.2%
Renewal ratio:						
Excess workers' compensation					91.8%	88.7%

Note: Results in the third quarter and first nine months of 2005 include losses, net of reinstatement premiums, of \$18.8 million in the Company's non-core property catastrophe reinsurance business which cover the Company's maximum exposure to Hurricane Katrina. The loss ratio and combined ratio excluding these losses was 68.8% and 93.1% for the third quarter of 2005, respectively, and 70.4% and 93.9% for the first nine months of 2005, respectively.

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

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/05	09/30/04	09/30/05	09/30/04	12/31/04	12/31/03
<b>Revenue:</b>						
Premium and fee income	\$ 1,273	\$ 596	\$ 2,472	\$ 2,299	\$ 3,335	\$ 4,158
Net investment income	20,361	19,574	62,607	57,993	79,359	78,397
	<u>21,634</u>	<u>20,170</u>	<u>65,079</u>	<u>60,292</u>	<u>82,694</u>	<u>82,555</u>
<b>Benefits and expenses:</b>						
Benefits, claims and interest credited to policyholders	12,284	12,244	37,965	37,819	51,836	54,841
Commissions	167	149	439	432	587	466
Amortization of cost of business acquired	1,777	1,246	5,384	3,658	4,888	4,664
Other operating expenses	1,589	1,484	4,717	4,433	5,672	6,015
	<u>15,817</u>	<u>15,123</u>	<u>48,505</u>	<u>46,342</u>	<u>62,983</u>	<u>65,986</u>
Operating income	<u>\$ 5,817</u>	<u>\$ 5,047</u>	<u>\$ 16,574</u>	<u>\$ 13,950</u>	<u>\$ 19,711</u>	<u>\$ 16,569</u>
Sales	\$ 25,423	\$ 40,848	\$ 74,359	\$ 110,696	\$ 133,096	\$ 100,636
Funds under management (at end of period)			\$ 1,009,275	\$ 989,116	\$ 993,346	\$ 929,922

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

	Three Months Ended		Nine Months Ended	
	09/30/05	09/30/04	09/30/05	09/30/04
Revenue:				
Premium and fee income	\$ 257,317	\$ 210,292	\$ 746,768	\$ 618,051
Net investment income	55,250	48,220	163,879	149,468
Net realized investment gains	3,397	1,433	8,534	8,595
	315,964	259,945	919,181	776,114
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	204,677	152,312	568,940	455,984
Commissions and expenses	75,457	63,527	213,804	184,155
	280,134	215,839	782,744	640,139
Operating income	35,830	44,106	136,437	135,975
Interest expense:				
Corporate debt	3,781	3,548	11,712	10,459
Junior subordinated deferrable interest debentures	1,229	1,124	3,599	3,335
Income tax expense	8,788	7,255	37,010	32,248
Net income	\$ 22,032	\$ 32,179	\$ 84,116	\$ 89,933
Basic results per share of common stock:				
Net income	\$ 0.67	\$ 1.00	\$ 2.58	\$ 2.82
Weighted average shares outstanding	32,900	32,028	32,545	31,883
Diluted results per share of common stock:				
Net income	\$ 0.65	\$ 0.98	\$ 2.52	\$ 2.74
Weighted average shares outstanding	33,709	32,999	33,425	32,878
Dividends paid per share of common stock	\$ 0.09	\$ 0.08	\$ 0.27	\$ 0.24

Note: See page 1, footnote B regarding the third quarter and the first nine months of 2005 and 2004.

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

	<u>09/30/05</u>	<u>12/31/04</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$3,144,090	\$3,049,013
Short-term investments	140,338	95,761
Other investments	<u>537,504</u>	<u>396,302</u>
	3,821,932	3,541,076
Cash	25,956	24,324
Cost of business acquired	242,249	212,549
Reinsurance receivables	413,416	428,707
Goodwill	93,929	93,929
Securities lending collateral	246,137	236,900
Other assets	245,777	203,777
Assets held in separate account	<u>96,168</u>	<u>88,205</u>
Total assets	<u><u>\$5,185,564</u></u>	<u><u>\$4,829,467</u></u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$1,823,598	\$1,663,903
Policyholder account balances	1,040,309	1,024,577
Corporate debt	178,750	157,750
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	59,762	59,762
Securities lending payable	246,137	236,900
Other liabilities and policyholder funds	724,470	658,522
Liabilities related to separate account	<u>96,168</u>	<u>88,205</u>
Total liabilities	4,169,194	3,889,619
Shareholders' equity:		
Class A Common Stock	312	304
Class B Common Stock	39	39
Additional paid-in capital	436,137	406,908
Accumulated other comprehensive income	29,198	57,371
Retained earnings	609,998	534,540
Treasury stock, at cost	<u>(59,314)</u>	<u>(59,314)</u>
Total shareholders' equity	<u>1,016,370</u>	<u>939,848</u>
Total liabilities and shareholders' equity	<u><u>\$5,185,564</u></u>	<u><u>\$4,829,467</u></u>

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

	<u>09/30/05</u>	<u>09/30/04</u>
Operating activities:		
Net income	\$ 84,116	\$ 89,933
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	196,872	145,556
Net change in reinsurance receivables and payables	10,608	(1,422)
Amortization, principally the cost of business acquired and investments	46,571	33,087
Deferred costs of business acquired	(69,739)	(66,814)
Net realized gains on investments	(8,534)	(8,595)
Net change in federal income tax liability	8,614	17,635
Other	<u>(59,614)</u>	<u>(43,007)</u>
Net cash provided by operating activities	<u>208,894</u>	<u>166,373</u>
Investing activities:		
Purchases of investments and loans made	(1,460,493)	(1,524,817)
Sales of investments and receipts from repayment of loans	1,142,110	1,109,869
Maturities of investments	134,023	167,555
Net change in short-term investments	(44,566)	21,632
Change in deposit in separate account	<u>(3,033)</u>	<u>(2,440)</u>
Net cash used by investing activities	<u>(231,959)</u>	<u>(228,201)</u>
Financing activities:		
Deposits to policyholder accounts	80,229	114,830
Withdrawals from policyholder accounts	(76,031)	(66,332)
Borrowings under revolving credit facility	32,000	32,000
Principal payments under revolving credit facility	(11,000)	(5,000)
Change in liability for Federal Home Loan Bank advances	(15,000)	(15,000)
Other financing activities	<u>14,499</u>	<u>6,936</u>
Net cash provided by financing activities	<u>24,697</u>	<u>67,434</u>
Increase in cash	1,632	5,606
Cash at beginning of period	<u>24,324</u>	<u>18,733</u>
Cash at end of period	<u>\$ 25,956</u>	<u>\$ 24,339</u>

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

	Employee Benefit Products	Asset Accumulation Products (A)	Total
Balance as of December 31, 2000	\$ 100,701	\$ 55,855	\$ 156,556
Deferred	43,268	7,828	51,096
Amortized	(30,415)	(4,285)	(34,700)
Equity adjustment	-	(4,058)	(4,058)
Balance as of December 31, 2001	113,554	55,340	168,894
Deferred	58,104	10,621	68,725
Amortized	(41,608)	(4,134)	(45,742)
Equity adjustment	-	(23,767)	(23,767)
Balance as of December 31, 2002	130,050	38,060	168,110
Deferred	70,040	6,796	76,836
Amortized	(51,100)	(4,664)	(55,764)
Equity adjustment	-	(5,517)	(5,517)
Balance as of December 31, 2003	148,990	34,675	183,665
Deferred	75,591	9,036	84,627
Amortized	(58,244)	(4,888)	(63,132)
Equity adjustment	-	7,389	7,389
Balance as of December 31, 2004	166,337	46,212	212,549
Deferred	64,931	4,808	69,739
Amortized	(45,552)	(5,384)	(50,936)
Equity adjustment	-	10,897	10,897
Balance as of September 30, 2005	\$ 185,716	\$ 56,533	\$ 242,249

(A) 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.

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

<b><u>Income Statement Data</u></b>	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Year Ended</u>	
	<u>09/30/05</u>	<u>09/30/04</u>	<u>09/30/05</u>	<u>09/30/04</u>	<u>12/31/04</u>	<u>12/31/03</u>
<b>Operating earnings</b>	\$ 19,824	\$ 31,247	\$ 78,569	\$ 84,346	\$ 113,494	\$ 90,645
Net realized investment gains, net of taxes	<u>2,208</u>	<u>932</u>	<u>5,547</u>	<u>5,587</u>	<u>10,049</u>	<u>8,271</u>
<b>Net income (GAAP measure)</b>	<u>\$ 22,032</u>	<u>\$ 32,179</u>	<u>\$ 84,116</u>	<u>\$ 89,933</u>	<u>\$ 123,543</u>	<u>\$ 98,916</u>
<b>Diluted results per share of common stock:</b>						
<b>Operating earnings</b>	\$ 0.59	\$ 0.95	\$ 2.35	\$ 2.57	\$ 3.45	\$ 2.83
Net realized investment gains, net of taxes	<u>0.06</u>	<u>0.03</u>	<u>0.17</u>	<u>0.17</u>	<u>0.30</u>	<u>0.26</u>
<b>Net income (GAAP measure)</b>	<u>\$ 0.65</u>	<u>\$ 0.98</u>	<u>\$ 2.52</u>	<u>\$ 2.74</u>	<u>\$ 3.75</u>	<u>\$ 3.09</u>
<b>Interest coverage ratio on corporate debt, excluding net realized investment gains</b>	8.6x	12.0x	10.9x	12.2x	12.2x	10.6x
<b>Interest coverage ratio on corporate debt, junior subordinated deferrable interest debentures and capital securities (GAAP measure)</b>	7.2x	9.4x	8.9x	9.9x	10.1x	8.9x
<b>Annualized return on beginning equity, excluding net realized investment gains</b>	7.9%	15.0%	11.1%	14.1%	14.2%	13.3%
<b>Annualized return on beginning equity (GAAP measure)</b>	8.8%	15.4%	11.9%	15.0%	15.5%	14.5%
<b><u>Balance Sheet Data</u></b>				<u>09/30/05</u>	<u>12/31/04</u>	<u>12/31/03</u>
<b>Shareholders' equity, excluding accumulated other comprehensive income</b>				\$ 987,172	\$ 882,477	\$ 746,012
Add: Accumulated other comprehensive income				<u>29,198</u>	<u>57,371</u>	<u>52,428</u>
<b>Shareholders' equity (GAAP measure)</b>				<u>\$ 1,016,370</u>	<u>\$ 939,848</u>	<u>\$ 798,440</u>
<b>Diluted book value per share of common stock, excluding accumulated other comprehensive income</b>				\$ 30.08	\$ 27.73	\$ 24.00
Add: Accumulated other comprehensive income				<u>0.82</u>	<u>1.63</u>	<u>1.49</u>
<b>Diluted book value per share of common stock (GAAP measure)</b>				<u>\$ 30.90</u>	<u>\$ 29.36</u>	<u>\$ 25.49</u>

Note: See page 1, footnote B regarding the third quarter and first nine months of 2005 and 2004 and the full year of 2004.