

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2007

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-11462

DELPHI FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

(302) 478-5142
(Registrant's telephone number,
including area code)

13-3427277
(I.R.S. Employer Identification
Number)

1105 North Market Street, Suite 1230, P.O. Box 8985, Wilmington, Delaware 19899
(Address of principal executive offices) (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of April 30, 2007, the Registrant had 43,737,194 shares of Class A Common Stock and 5,671,744 shares of Class B Common Stock outstanding.

DELPHI FINANCIAL GROUP, INC.
FORM 10-Q
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AND OTHER INFORMATION

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31,	
	2007	2006
Revenue:		
Premium and fee income.....	\$ 322,247	\$ 262,959
Net investment income.....	71,303	59,029
Net realized investment losses	(382)	(1,251)
Loss on redemption of junior subordinated deferrable interest debentures	<u>(2,192)</u>	<u>-</u>
	<u>390,976</u>	<u>320,737</u>
Benefits and expenses:		
Benefits, claims and interest credited to policyholders	238,212	191,618
Commissions	19,711	16,421
Amortization of cost of business acquired	20,892	18,043
Other operating expenses	<u>49,948</u>	<u>41,297</u>
	<u>328,763</u>	<u>267,379</u>
Income from continuing operations before interest and income tax expense	62,213	53,358
Interest expense:		
Corporate debt.....	5,054	4,686
Junior subordinated deferrable interest debentures	<u>1,284</u>	<u>1,271</u>
	<u>6,338</u>	<u>5,957</u>
Income from continuing operations before income tax expense	55,875	47,401
Income tax expense.....	<u>16,681</u>	<u>14,569</u>
Income from continuing operations	39,194	32,832
Loss from discontinued operations, net of income tax benefit.....	<u>-</u>	<u>(10)</u>
Net income.....	<u>\$ 39,194</u>	<u>\$ 32,822</u>
Basic results per share of common stock:		
Income from continuing operations.....	\$ 0.78	\$ 0.66
Net income	\$ 0.78	\$ 0.66
Diluted results per share of common stock:		
Income from continuing operations.....	\$ 0.76	\$ 0.65
Net income	\$ 0.76	\$ 0.65
Dividends paid per share of common stock	\$ 0.08	\$ 0.07

See notes to consolidated financial statements.

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Data)

	March 31, 2007	December 31, 2006
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 3,539,676	\$ 3,377,578
Short-term investments	241,018	400,239
Other investments	873,877	705,563
	4,654,571	4,483,380
Cash	48,758	48,204
Cost of business acquired	153,155	267,920
Reinsurance receivables	411,301	410,593
Goodwill	93,929	93,929
Securities lending collateral	101,091	-
Other assets	274,139	251,975
Assets held in separate account	117,534	114,474
Total assets	\$ 5,854,478	\$ 5,670,475
Liabilities and Shareholders' Equity:		
Future policy benefits:		
Life	\$ 284,560	\$ 279,919
Disability and accident	631,920	610,618
Unpaid claims and claim expenses:		
Life	65,609	58,752
Disability and accident	315,210	300,693
Casualty	893,862	857,662
Policyholder account balances	1,106,871	1,119,218
Corporate debt	297,750	263,750
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	20,619	59,762
Securities lending payable	101,091	-
Other liabilities and policyholder funds	877,546	830,819
Liabilities related to separate account	117,534	114,474
Total liabilities	4,712,572	4,495,667
Shareholders' equity:		
Preferred Stock, \$.01 par; 50,000,000 shares authorized	-	-
Class A Common Stock, \$.01 par; 150,000,000 shares authorized; 48,282,568 and 48,010,697 shares issued and outstanding, respectively	483	480
Class B Common Stock, \$.01 par; 20,000,000 shares authorized; 5,671,744 and 5,671,744 shares issued and outstanding, respectively	57	57
Additional paid-in capital	488,314	474,722
Accumulated other comprehensive income	19,928	19,133
Retained earnings	716,094	763,386
Treasury stock, at cost; 4,565,716 and 4,565,716 shares of Class A Common Stock, respectively	(82,970)	(82,970)
Total shareholders' equity	1,141,906	1,174,808
Total liabilities and shareholders' equity	\$ 5,854,478	\$ 5,670,475

See notes to consolidated financial statements.

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in Thousands)
(Unaudited)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance, January 1, 2006.....	\$ 313	\$ 39	\$442,531	\$ 20,264	\$636,285	\$(66,393)	<u>\$1,033,039</u>
Net income.....	-	-	-	-	32,822	-	32,822
Other comprehensive income:							
Decrease in net unrealized appreciation on investments.....	-	-	-	(23,033)	-	-	(23,033)
Decrease in net loss on cash flow hedge	-	-	-	196	-	-	<u>196</u>
Comprehensive income.....							9,985
Issuance of stock and exercise of stock options	3	(1)	9,890	-	-	-	9,892
Stock-based compensation.....	-	-	1,561	-	-	-	1,561
Acquisition of treasury stock	-	-	-	-	-	(16,577)	(16,577)
Cash dividends.....	-	-	-	-	(3,250)	-	(3,250)
Balance, March 31, 2006.....	<u>\$ 316</u>	<u>\$ 38</u>	<u>\$453,982</u>	<u>\$ (2,573)</u>	<u>\$665,857</u>	<u>\$(82,970)</u>	<u>\$1,034,650</u>
Balance, January 1, 2007	\$ 480	\$ 57	\$474,722	\$ 19,133	\$763,386	\$(82,970)	<u>\$1,174,808</u>
Cumulative effect adjustment	-	-	-	-	(82,553)	-	(82,553)
Adjusted balance, January 1, 2007 ...	480	57	474,722	19,133	680,833	(82,970)	<u>1,092,255</u>
Net income.....	-	-	-	-	39,194	-	39,194
Other comprehensive income:							
Increase in net unrealized appreciation on investments.....	-	-	-	331	-	-	331
Decrease in net loss on cash flow hedge	-	-	-	196	-	-	196
Change in net periodic pension cost	-	-	-	268	-	-	<u>268</u>
Comprehensive income.....							39,989
Issuance of stock and exercise of stock options	3	-	12,126	-	-	-	12,129
Stock-based compensation.....	-	-	1,466	-	-	-	1,466
Cash dividends.....	-	-	-	-	(3,933)	-	(3,933)
Balance, March 31, 2007	<u>\$ 483</u>	<u>\$ 57</u>	<u>\$488,314</u>	<u>\$ 19,928</u>	<u>\$716,094</u>	<u>\$(82,970)</u>	<u>\$1,141,906</u>

See notes to consolidated financial statements.

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2007	2006
Operating activities:		
Net income	\$ 39,194	\$ 32,822
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	109,180	71,266
Net change in reinsurance receivables and payables	(2,584)	7,964
Amortization, principally the cost of business acquired and investments	21,692	16,565
Deferred costs of business acquired	(30,387)	(29,086)
Net realized losses on investments	381	1,251
Net change in federal income tax liability	8,586	9,807
Other	(56,787)	(26,617)
Net cash provided by operating activities	89,275	83,972
Investing activities:		
Purchases of investments and loans made	(408,925)	(425,779)
Sales of investments and receipts from repayment of loans.....	139,880	372,965
Maturities of investments	33,727	45,673
Net change in short-term investments.....	159,221	(181,132)
Change in deposit in separate account.....	(636)	(1,546)
Net cash used by investing activities.....	(76,733)	(189,819)
Financing activities:		
Deposits to policyholder accounts	21,866	122,763
Withdrawals from policyholder accounts	(34,557)	(28,010)
Borrowings under revolving credit facility	38,000	25,000
Principal payments under revolving credit facility	(4,000)	(2,000)
Redemption of junior subordinated deferrable interest debentures	(37,728)	-
Other financing activities.....	4,431	(11,786)
Net cash (used) provided by financing activities	(11,988)	105,967
Increase in cash.....	554	120
Cash at beginning of period	48,204	28,493
Cash at end of period	\$ 48,758	\$ 28,613

See notes to consolidated financial statements.

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note A – Significant Accounting Policies

The financial statements of Delphi Financial Group, Inc. (the “Company,” which term includes the Company and its consolidated subsidiaries unless the context indicates otherwise) included herein were prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The information furnished includes all adjustments and accruals of a normal recurring nature, which are in the opinion of management, necessary for a fair presentation of results for the interim periods. Certain reclassifications have been made in the March 31, 2006 consolidated financial statements to conform to the March 31, 2007 presentation. Operating results for the three months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007. For further information refer to the consolidated financial statements and footnotes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2006 (the “2006 Form 10-K”). Capitalized terms used herein without definition have the meanings ascribed to them in the 2006 Form 10-K.

Accounting Changes

Cost of Business Acquired. As of January 1, 2007, the Company adopted the American Institute of Certified Public Accountants Statement of Position (“SOP”) 05-1, “Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts.” SOP 05-1 provides accounting guidance for deferred policy acquisition costs associated with internal replacements of insurance and investment contracts not addressed by previous guidance, including group insurance contracts. This statement defines an internal replacement as a modification in product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement or rider to a contract, or by the election of a feature or coverage within a contract. Internal replacement transactions that are determined to result in substantial changes to the replaced contracts are accounted for as extinguishments of the replaced contracts, and any unamortized deferred acquisition costs and other balances related to the replaced contracts are immediately recognized as expense in the income statement. Internal replacement transactions that are determined to result in replacement contracts that are substantially unchanged from the replaced contract are accounted for as continuations of the replaced contracts. Unamortized deferred acquisition costs and unearned revenue liabilities related to the replaced contract continue to be deferred and amortized in connection with the replacement contracts. Any costs associated with the issuance of the replacement contracts are characterized as maintenance costs and expensed as incurred. The Company made an after-tax reduction to its retained earnings at January 1, 2007, the date of adoption of SOP 05-1, in the amount of \$82.6 million, which represents the net reduction in the deferred policy acquisition cost from internal replacements included in cost of business acquired on the consolidated balance sheet.

Fair Value Measurements. As of January 1, 2007, the Company adopted Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (“SFAS”) No. 155, “Accounting for Certain Hybrid Financial Instruments — an amendment of SFAS No. 133 and SFAS No. 140,” which is effective for all financial instruments acquired or issued after January 1, 2007. This standard (a) permits fair value remeasurement of an entire hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; (b) clarifies which interest-only and principal-only securities are not subject to the requirements of SFAS No. 133; (c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (e) amends SFAS No. 140 to eliminate restrictions on a qualifying special purpose entity’s ability to hold a passive derivative financial instrument that pertains to beneficial interests that are or contain a derivative financial instrument. The adoption of SFAS No. 155 did not have a material effect on the Company’s financial condition or results of operations.

Income Taxes. As of January 1, 2007, the Company adopted FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of SFAS No. 109.” FIN No. 48 clarifies the accounting for uncertainty in tax positions taken or expected to be taken by a company in a tax return by prescribing a financial statement recognition threshold and measurement attribute for such positions. The Interpretation applies to positions for all open tax years. The Company’s tax years through 2002 are closed to further assessment by the Internal Revenue Service. FIN No. 48 requires that companies recognize the impact of the tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. This interpretation also provides guidance on classification, interest, penalties, accounting in interim periods and disclosure. The adoption of FIN No. 48 did not have a material effect on the Company’s financial condition or results of operations.

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

Note A – Significant Accounting Policies – (Continued)

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”, which addresses the manner in which fair value should be measured under GAAP. SFAS No. 157 provides a common definition of fair value and establishes a framework that fair value measures should follow under GAAP, but this statement does not supersede existing guidance on when fair value measures should be used. This standard will also require companies to disclose the extent to which they measure assets and liabilities at fair value, the methods and assumptions they use to measure fair value, and the effect of fair value measures on their earnings. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company has not yet determined the impact, if any, that the adoption of SFAS No. 157 will have on its consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”. SFAS No. 159 allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities (as well as certain nonfinancial instruments that are similar to financial instruments) at fair value (the “fair value option”). The election is made on an instrument-by-instrument basis and is irrevocable. Upon initial adoption, SFAS No. 159 provides entities with a one-time chance to elect the fair value option for existing eligible items, and any differences between the carrying amount of the selected item and its fair value as of the effective date should be included in the cumulative-effect adjustment to beginning retained earnings and all subsequent changes in fair value for the instrument elected shall be reported in earnings. By electing the fair value option, an entity can achieve consistent accounting for related assets and liabilities without having to apply complex hedge accounting provisions. This statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. Earlier adoption of the statement is permitted upon satisfaction of certain conditions. The Company has not yet made a decision on whether to use the fair value option with respect to any of its eligible financial or nonfinancial instruments.

Note B – Investments

At March 31, 2007, the Company had fixed maturity securities available for sale with a carrying value and a fair value of \$3,539.7 million and an amortized cost of \$3,505.9 million. At December 31, 2006, the Company had fixed maturity securities available for sale with a carrying value and a fair value of \$3,377.6 million and an amortized cost of \$3,340.8 million.

Note C – Redemption of Junior Subordinated Deferrable Interest Debentures underlying the Company-Obligated Mandatorily Redeemable Capital Securities of Delphi Funding L.L.C.

In 1997, Delphi Funding L.L.C. (“Delphi Funding”) issued \$100.0 million liquidation amount of 9.31% Capital Securities, Series A (the “Capital Securities”) in a public offering. In connection with the issuance of the Capital Securities and the related purchase by the Company of all of the common limited liability company interests of Delphi Funding, the Company issued to Delphi Funding \$103.1 million principal amount of 9.31% junior subordinated deferrable interest debentures, Series A, due 2027 (the “Junior Debentures”). During 2001, the Company repurchased \$64.0 million liquidation amount of the Capital Securities in the open market.

On March 27, 2007, Delphi Funding redeemed the remaining \$36.0 million liquidation amount of Capital Securities concurrently with the redemption by the Company of the underlying Junior Debentures held by Delphi Funding. The redemption price was \$1,046.55 per Capital Security plus accrued dividends. As a result, the \$103.1 million principal amount of the Junior Debentures ceased to be outstanding and dividends on the Junior Debentures ceased to accrue. The Company recognized a pre-tax loss of \$2.2 million on the redemption. The Company utilized borrowings under its Amended Credit Agreement and cash on hand to fund such redemption.

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

Note D – Segment Information

	Three Months Ended	
	March 31,	
	2007	2006
	(dollars in thousands)	
Revenues:		
Group employee benefit products.....	\$ 356,077	\$ 290,268
Asset accumulation products	27,693	23,107
Other ⁽¹⁾	9,780	8,613
	393,550	321,988
Net realized investment losses.....	(382)	(1,251)
Loss on redemption of junior subordinated deferrable interest debentures	(2,192)	-
	<u>\$ 390,976</u>	<u>\$ 320,737</u>
Operating income:		
Group employee benefit products	\$ 63,759	\$ 51,056
Asset accumulation products	8,311	6,968
Other ⁽¹⁾	(7,283)	(3,415)
	64,787	54,609
Net realized investment losses.....	(382)	(1,251)
Loss on redemption of junior subordinated deferrable interest debentures	(2,192)	-
	<u>\$ 62,213</u>	<u>\$ 53,358</u>

(1) Primarily consists of operations from integrated disability and absence management services and certain corporate activities.

Note E – Comprehensive Income

Total comprehensive income is comprised of net income and other comprehensive income, which includes the change in unrealized gains and losses on securities available for sale, change in net periodic pension cost and the change in the loss on the cash flow hedge described in the 2006 Form 10-K. Total comprehensive income was \$40.0 million and \$10.0 million for the first three months of 2007 and 2006, respectively.

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

Note F – Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123 (Revised) (“123R”), “Share based payments” using the modified prospective transition method, under which compensation cost is recognized for all new awards granted after the date of adoption and any unvested awards previously granted for which expenses were not being recognized under SFAS No. 123. SFAS No. 123R also requires the Company to reflect the tax savings resulting from tax deductions in excess of expense as a financing cash flow in its statement of cash flows rather than as an operating cash flow as in prior periods. These cash flows were not material to the Company’s consolidated statements of cash flows for the three months ended March 31, 2007 and 2006.

The Company recognized stock-based compensation expenses of \$2.2 million and \$1.8 million in the first quarter of 2007 and 2006, respectively. The remaining unrecognized compensation expense related to unvested awards at March 31, 2007 was \$17.7 million and the weighted-average period of time over which this expense will be recognized is 3 years.

The fair values of options were estimated at the grant date using the Black-Scholes option pricing model with the following assumptions for the first quarter of 2007: expected volatility – 19.7%, expected dividends – 0.8%, expected lives of the options – 6.5 years and the risk free rate – 4.7%. The following assumptions were used for the first quarter of 2006: expected volatility – 24.8%, expected dividends – 0.9%, expected lives of the options – 6.5 years and the risk free rate – 4.6%.

The expected volatility reflects the Company’s past monthly stock price volatility. The expected life of options granted in the first quarter of 2007 and 2006 were calculated using the “simplified method” in accordance with Staff Accounting Bulletin 107. The dividend yield is based on the Company’s historical dividend payments. The risk-free rate is derived from public data sources at the time of the grant. Compensation cost is recognized over the expected life of the option using the straight-line method.

Option activity with respect to the Company’s plans, excluding the performance-contingent incentive options referenced further below, was as follows:

<u>Options</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (\$000)</u>
Outstanding at January 1, 2007.....	3,552,668	\$ 20.93		
Granted	356,052	40.83		
Exercised	(184,757)	14.06		
Forfeited	<u>(2,850)</u>	30.75		
Outstanding at March 31, 2007.....	<u>3,721,113</u>	23.17	4.8	\$ 63,473
Exercisable at March 31, 2007	2,575,898	\$ 18.33	2.9	\$ 56,420

The weighted average grant date fair value of options granted during the first quarter of 2007 and 2006 was \$11.88 and \$10.12, respectively. The cash proceeds from stock options exercised were \$4.2 million and \$3.8 million for the first quarter of 2007 and 2006, respectively. The total intrinsic value of options exercised during the first quarter of 2007 and 2006 was \$5.6 million and \$6.3 million, respectively.

At March 31, 2007, 3,543,750 performance contingent incentive options were outstanding with a weighted average exercise price of \$24.21, a weighted average contractual term of 6.8 years and an intrinsic value of \$56.8 million. 731,250 options with a weighted average exercise price of \$27.87, a weighted average contractual term of 7.1 years and an intrinsic value of \$9.0 million were exercisable at March 31, 2007.

DELPHI FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

Note G – Computation of Results per Share

Prior period results per share and applicable share amounts have been restated to reflect the 3-for-2 common stock split distributed in the form of a 50% stock dividend on June 1, 2006. The following table sets forth the calculation of basic and diluted results per share (dollars in thousands, except per share data):

	Three Months Ended	
	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Numerator:		
Income from continuing operations.....	\$ 39,194	\$ 32,832
Loss from discontinued operations, net of income tax benefit	<u>-</u>	<u>(10)</u>
Net income	<u>\$ 39,194</u>	<u>\$ 32,822</u>
Denominator:		
Weighted average common shares outstanding.....	50,177	49,479
Effect of dilutive securities	<u>1,290</u>	<u>1,346</u>
Weighted average common shares outstanding, assuming dilution.....	<u>51,467</u>	<u>50,825</u>
Basic results per share of common stock:		
Income from continuing operations.....	\$ 0.78	\$ 0.66
Loss from discontinued operations, net of income tax benefit	<u>-</u>	<u>-</u>
Net income	<u>\$ 0.78</u>	<u>\$ 0.66</u>
Diluted results per share of common stock:		
Income from continuing operations.....	\$ 0.76	\$ 0.65
Loss from discontinued operations, net of income tax benefit	<u>-</u>	<u>-</u>
Net income	<u>\$ 0.76</u>	<u>\$ 0.65</u>

DELPHI FINANCIAL GROUP, INC.
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The Company, through its subsidiaries, underwrites a diverse portfolio of group employee benefit products, primarily group life, disability, and excess workers' compensation insurance. Revenues from this group of products are primarily comprised of earned premiums and investment income. The profitability of group employee benefit products is affected by, among other things, differences between actual and projected claims experience, the retention of existing customers, product mix and the Company's ability to attract new customers, change premium rates and contract terms for existing customers and control administrative expenses. The Company transfers its exposure to a portion of its group employee benefit risks through reinsurance ceded arrangements with other insurance and reinsurance companies. Accordingly, the profitability of the Company's group employee benefit products is affected by the amount, cost and terms of reinsurance it obtains. The profitability of those group employee benefit products for which reserves are discounted is also affected by the difference between the yield achieved on invested assets and the discount rate used to calculate the related reserves. The Company is continuing to experience favorable market conditions for its excess workers' compensation products due to high primary workers' compensation rates. For its other group employee benefit products, the Company is continuing to increase the size of its sales force in order to enhance its focus on the small case niche (insured groups of 10 to 500 individuals), including employers which are first-time providers of these employee benefits, which the Company believes to offer opportunities for superior profitability.

The Company also operates an asset accumulation business that focuses primarily on offering fixed annuities to individuals. In addition, during the first quarter of 2006, the Company issued \$100 million in aggregate principal amount of fixed and floating rate funding agreements with maturities of three to five years in connection with the issuance by an unconsolidated special purpose vehicle of funding agreement-backed notes in a corresponding principal amount. The Company believes that the funding agreement program enhances the Company's asset accumulation business by providing an alternative source of distribution for this business. The Company's liability for the funding agreements is recorded in policyholder account balances. Deposits from the Company's asset accumulation business are recorded as liabilities rather than as premiums. Revenues from the Company's asset accumulation business are primarily comprised of investment income earned on the funds under management. The profitability of asset accumulation products is primarily dependent on the spread achieved between the return on investments and the interest credited to holders of these products. The Company sets the crediting rates offered on its asset accumulation products in an effort to achieve its targeted interest rate spreads on these products, and is willing to accept lower levels of sales on these products when market conditions make these targeted spreads more difficult to achieve.

The following discussion and analysis of the results of operations and financial condition of the Company should be read in conjunction with the Consolidated Financial Statements and related notes included in this document, as well as the Company's annual report on Form 10-K for the year ended December 31, 2006 (the "2006 Form 10-K"). Capitalized terms used herein without definition have the meanings ascribed to them in the 2006 Form 10-K. The preparation of financial statements in conformity with GAAP requires management, in some instances, to make judgments about the application of these principles. The amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period could differ materially from the amounts reported if different conditions existed or different judgments were utilized. A discussion of how management applies certain critical accounting policies and makes certain estimates is contained in the 2006 Form 10-K in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" and should be read in conjunction with the following discussion and analysis of results of operations and financial condition of the Company. In addition, a discussion of uncertainties and contingencies which can affect actual results and could cause future results to differ materially from those expressed in certain forward-looking statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations can be found below under the caption "Forward-Looking Statements And Cautionary Statements Regarding Certain Factors That May Affect Future Results," in Part I, Item 1A of the 2006 Form 10-K, "Risk Factors" and Part II, Item 1A of this Quarterly Report, "Risk Factors".

Results of Operations

Summary of Results. Net income was \$39.2 million, or \$0.76 per diluted share, in the first quarter of 2007 as compared to \$32.8 million, or \$0.65 per diluted share, in the first quarter of 2006. Net income in the first quarter of 2007 and 2006 included realized investment losses (net of the related income tax benefit) of \$0.2 million, or \$0.00 per diluted share, and \$0.8 million, or \$0.01 per diluted share, respectively. Net income in the first quarter of 2007 benefited from growth in income from the Company's core group employee benefit products, increased product spreads on the Company's asset accumulation products and an increase in net investment income, and was adversely impacted by a loss on the redemption of junior subordinated deferrable interest debentures. Core group employee benefit products include group life, disability, excess workers' compensation, travel accident and dental insurance. Premiums from these core group employee benefit products increased 19% in the first quarter of 2007 and the combined ratio (loss ratio plus expense ratio) for these products was modestly lower than in the first quarter of 2006. Net investment income in the first quarter of 2007, which increased 21% from the first quarter of 2006, reflects a 14% increase in average invested assets and an increase in the tax equivalent weighted average annualized yield to 6.5% from 6.2%. During the first quarter of 2007, the Company recognized a loss (net of the related income tax benefit) of \$1.4 million, or \$0.03 per diluted share from the redemption of the 9.31% junior subordinated deferrable interest debentures underlying the 9.31% Capital Securities, Series A of Delphi Funding L.L.C.

Premium and Fee Income. Premium and fee income in the first quarter of 2007 was \$322.2 million as compared to \$263.0 million in the first quarter of 2006, an increase of 23%. Premiums from core group employee benefit products increased 19% to \$299.6 million in the first quarter of 2007 from \$251.0 million in the first quarter of 2006. This increase reflects normal growth in employment and salary levels for the Company's existing customer base, price increases and new business production. Premiums from excess workers' compensation insurance for self-insured employers increased 24% to \$72.4 million in the first quarter of 2007 from \$58.3 million in the first quarter of 2006. This increase was primarily due to the demand for this product as a result of high primary workers' compensation rates. Excess workers' compensation premiums in the first quarter of 2007 also included \$3.5 million of 2006 policy year premiums from Canadian policies assumed by SNCC in the first quarter of 2007 under the renewal rights agreement into which SNCC entered in 2005 (the "Renewal Rights Agreement"), pursuant to Canadian regulatory approval received in the quarter. SNCC has substantially maintained its pricing on its 2007 renewals and SIRs on average are up modestly in 2007 new and renewal policies, excluding Canadian policies. Excess workers' compensation new business production, which represents the amount of new annualized premium sold, was \$14.5 million in the first quarter of 2007 compared to \$24.6 million in the first quarter of 2006, which included new business production of \$12.2 million from the Renewal Rights Agreement. The retention of existing customers in first quarter of 2007 remained strong. Premiums from the Company's other core group employee benefit products increased 18% to \$227.2 million in the first quarter of 2007 from \$192.7 million in the first quarter of 2006, primarily reflecting new business production, improved retention of existing customers, a decrease in premiums ceded by the Company to reinsurers for these products and a 17% increase in premiums from the Company's group disability products. During the first quarter of 2007, premiums from the Company's group disability products increased to \$124.9 million from \$106.8 million in the first quarter of 2006, reflecting new business production and substantial growth in the Company's turnkey disability business. New business production for the Company's other core group employee benefit products increased 47% to \$65.0 million in the first quarter of 2007 as compared to \$44.4 million in the first quarter of 2006, reflecting growth in the Company's suite of voluntary group insurance products and in its integrated employee benefits program. New business production includes only directly written business, and does not include premiums from the Company's turnkey disability business. The level of production achieved from these other core group employee benefit products also reflects the Company's focus on the small case niche (insured groups of 10 to 500 individuals). The Company continued to implement price increases for certain existing group disability and group life insurance customers.

Non-core group employee benefit products include LPTs, primary workers' compensation, bail bond insurance, workers' compensation reinsurance and reinsurance facilities. Premiums from non-core group employee benefit products were \$14.2 million in the first quarter of 2007 as compared to \$4.5 million in the first quarter of 2006, primarily due to a higher level of premium from LPTs, which are episodic in nature.

Deposits from the Company's asset accumulation products were \$19.5 million in the first quarter of 2007 as compared to \$121.0 million in the first quarter of 2006. This decrease in deposits is primarily due to the issuance of \$100.0 million in aggregate principal amount of fixed and floating rate funding agreements during the first quarter of 2006 under the Company's new program under which funding agreement-backed notes are issued to institutional investors by an unconsolidated special purpose vehicle which uses the proceeds to purchase from the Company funding agreements having terms substantially similar to those of the notes. Deposits from the Company's asset accumulation products, consisting of new annuity sales and issuances of funding agreements, are recorded as liabilities rather than as premiums.

Net Investment Income. Net investment income in the first quarter of 2007 was \$71.3 million as compared to \$59.0 million in the first quarter of 2006, an increase of 21%. The level of net investment income in the 2007 period reflects a 14% increase in average invested assets to \$4,531.9 million in the first quarter of 2007 from \$3,965.3 million in the first quarter of 2006 and an increase in the tax equivalent weighted average annualized yield. The tax equivalent weighted average annualized yield on invested assets was 6.5% and 6.2% in the first quarters of 2007 and 2006, respectively.

Net Realized Investment Losses. Net realized investment losses were \$0.4 million in the first quarter of 2007 as compared to \$1.3 million in the first quarter of 2006. The Company's investment strategy results in periodic sales of securities and, therefore, the recognition of realized investment gains and losses. During the first quarter of 2007, the Company recognized net gains of \$1.0 million on the sales of securities as compared to net losses of \$0.6 million, during the first quarter of 2006. The Company monitors its investments on an ongoing basis. When the market value of a security declines below its cost, and management judges the decline to be other than temporary, the security is written down to fair value, and the decline is reported as a realized investment loss. In the first quarters of 2007 and 2006, the Company recognized \$1.4 million and \$0.7 million, respectively, of losses due to the other than temporary declines in the market values of certain fixed maturity securities.

The Company may recognize additional losses of this type in the future. The Company anticipates that if certain other existing declines in security values are determined to be other than temporary, it may recognize additional investment losses in the range of \$5 million to \$10 million, on an after-tax basis, with respect to the relevant securities. However, the extent of any such losses will depend on future market developments and changes in security values, and such losses may be outside this range. The Company continuously monitors the affected securities pursuant to its procedures for evaluation for other than temporary impairment in valuation, which are described in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates - Investments" in the 2006 Form 10-K. It is not possible to predict the extent of any future changes in value, positive or negative, or the results of the future application of these procedures, with respect to these securities. There can be no assurance that the Company will realize investment gains in the future in an amount sufficient to offset any such losses.

Loss on Redemption of Junior Subordinated Deferrable Interest Debentures. During the first quarter of 2007, the Company recognized a pre-tax loss of \$2.2 million from the redemption of the 9.31% junior subordinated deferrable interest debentures ("Junior Debentures") underlying the 9.31% Capital Securities, Series A ("Capital Securities") of Delphi Funding L.L.C. On March 27, 2007, Delphi Funding L.L.C. redeemed the remaining \$36.0 million liquidation amount of Capital Securities concurrently with the redemption by the Company of the underlying Junior Debentures held by Delphi Funding L.L.C. The redemption price was \$1,046.55 per Capital Security plus accrued dividends. As a result, the \$103.1 million principal amount of the Junior Debentures ceased to be outstanding and dividends on the Junior Debentures ceased to accrue.

Benefits and Expenses. Policyholder benefits and expenses were \$328.8 million in the first quarter of 2007 as compared to \$267.4 million in the first quarter of 2006, an increase of 23%. This increase primarily reflects the increase in premiums from the Company's group employee benefit products discussed above, and does not reflect any significant additions to reserves for prior years' claims and claim expenses. However, there can be no assurance that future periods will not include additions to reserves of this type, which will depend on the Company's future loss development. If the Company were to experience significant adverse loss development in the future, the Company's results of operations could be materially adversely affected. The combined ratio (loss ratio plus expense ratio) for the Company's group employee benefits products decreased to 93.2% in the first quarter of 2007 from 93.7% in the first quarter of 2006. The weighted average annualized crediting rate on the Company's asset accumulation products, which reflects the effects of the first year bonus crediting rate on certain newly issued products, was 4.3% and 4.5% in the first quarters of 2007 and 2006, respectively.

Income Tax Expense. Income tax expense was \$16.7 million in the first quarter of 2007 as compared to \$14.6 million in the first quarter of 2006. The Company's effective tax rate was 30.0% in the first quarter of 2007 and 30.7% in the first quarter of 2006.

Liquidity and Capital Resources

General. The Company had approximately \$110.3 million of financial resources available at the holding company level at March 31, 2007, which were primarily comprised of investments in the common stock of its investment subsidiaries, investments in limited partnerships and limited liability companies and short-term investments. The assets of the investment subsidiaries are primarily invested in limited partnerships and limited liability companies. Other sources of liquidity at the holding company level include dividends paid from subsidiaries, primarily generated from operating cash flows and investments. The Company's insurance subsidiaries would be permitted, without prior regulatory approval, to make dividends payments totaling \$83.7 million during 2007, of which \$1.8 million has been paid to the holding company during the first three months of 2007. In general, dividends from the company's non-insurance subsidiaries are not subject to regulatory or other

restrictions. A shelf registration statement is also in effect under which securities yielding proceeds of up to \$106.2 million may be issued by the Company.

During the first quarter of 2007, the Company recognized a pre-tax loss of \$2.2 million from the redemption of the Junior Debentures underlying the Capital Securities of Delphi Funding L.L.C. On March 27, 2007, Delphi Funding L.L.C. redeemed the remaining \$36.0 million liquidation amount of Capital Securities concurrently with the redemption by the Company of the underlying Junior Debentures held by Delphi Funding L.L.C. The redemption price was \$1,046.55 per Capital Security plus accrued dividends. As a result, the \$103.1 million principal amount of the Junior Debentures ceased to be outstanding and dividends on the Junior Debentures ceased to accrue. The Company utilized borrowings under its Amended Credit Agreement and cash on hand to fund such redemption. At March 31, 2007, the Company had \$96.0 million of borrowings available under the Amended Credit Agreement.

The Company's current liquidity needs, in addition to funding its operating expenses, include principal and interest payments on outstanding borrowings under the Amended Credit Agreement, interest payments on the 2033 Senior Notes, and distributions on the 2003 Capital Securities. The maximum amount of borrowings under the Amended Credit Agreement, which expires in October 2011, is \$250.0 million. The 2033 Senior Notes mature in their entirety in May 2033 and are not subject to any sinking fund requirements but are redeemable by the Company at par at any time on or after May 15, 2008. The junior subordinated deferrable interest debentures underlying the 2003 Capital Securities are redeemable, in whole or in part, beginning May 15, 2008.

On May 9, 2007, the Company's Board of Directors declared a cash dividend of \$0.09 per share, which will be paid on the Company's Class A Common Stock and Class B Common Stock on June 6, 2007.

The Company and its subsidiaries expect available sources of liquidity to exceed their current and long-term cash requirements.

Investments. The Company's overall investment strategy emphasizes safety and liquidity, while seeking the best available return, by focusing on, among other things, managing the Company's interest-sensitive assets and liabilities and seeking to minimize the Company's exposure to fluctuations in interest rates. The Company's investment portfolio, which totaled \$4.7 billion at March 31, 2007, consists primarily of investments in fixed maturity securities, mortgage loans, investments in limited partnerships, equity securities, trading account securities, investments in limited liability companies and short-term investments. During the first quarter of 2007, the market value of the Company's investment portfolio, in relation to its amortized cost, decreased by \$2.2 million from year-end 2006, before related changes in the cost of business acquired of \$2.7 million and the income tax provision of \$0.2 million. In addition, the Company recognized pre-tax net investment losses of \$0.4 million in the first quarter of 2007. The weighted average credit rating of the securities in the Company's fixed maturity portfolio having ratings by Standard & Poor's Corporation was "AA" at March 31, 2007. While ratings of this type address credit risk, they do not address other risks, such as prepayment and extension risks. See "Forward-Looking Statements and Cautionary Statements Regarding Certain Factors That May Affect Future Results," Part I, Item 1A of the 2006 Form 10-K, "Risk Factors" for a discussion of various risks relating to the Company's investment portfolio.

Reinsurance. The Company cedes portions of the risks relating to its group employee benefit products and variable life insurance products under indemnity reinsurance agreements with various unaffiliated reinsurers. The Company pays reinsurance premiums which are generally based upon specified percentages of the Company's premiums on the business reinsured. These agreements expire at various intervals as to new risks, and replacement agreements are negotiated on terms believed appropriate in light of current market conditions. During 2005, the Company entered into a reinsurance arrangement under which the Company cedes 30% of its excess workers' compensation risks between \$100.0 million and \$150.0 million, per occurrence. During 2006, the Company entered into a reinsurance arrangement under which the Company cedes a substantial majority in proportionate amount of the risks between \$100.0 million and \$150.0 million, per occurrence. This change has increased the reinsurance premiums paid by the Company for these products. Effective January 1, 2007, the Company cedes through indemnity reinsurance risks in excess of \$200,000 (compared to \$150,000 previously) per individual and type of coverage for new and existing employer-paid group life insurance policies.

Cash Flows. Operating activities increased cash by \$89.3 million and \$84.0 million in the first quarters of 2007 and 2006, respectively. Net investing activities used \$76.7 million of cash during the first quarter of 2007 primarily for the purchase of securities, and financing activities used \$12.0 million of cash principally due to the redemption by the Company of the Junior Debentures held by Delphi Funding L.L.C.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company's exposure to market risk or its management of such risk since December 31, 2006.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Vice President and Treasurer (the individual who acts in the capacity of chief financial officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in the rules and regulations of the Securities and Exchange Commission). Based on that evaluation, the Company's management, including the CEO and Vice President and Treasurer, concluded that the Company's disclosure controls and procedures were effective. There were no changes in the Company's internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Forward-Looking Statements And Cautionary Statements Regarding Certain Factors That May Affect Future Results

In connection with, and because it desires to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions readers regarding certain forward-looking statements in the above "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Form 10-Q and in any other statement made by, or on behalf of, the Company, whether in future filings with the Securities and Exchange Commission or otherwise. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results, prospects, outlooks or other developments. Some forward-looking statements may be identified by the use of terms such as "expects," "believes," "anticipates," "intends," "judgment," "outlook" or other similar expressions. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic, competitive and other uncertainties and contingencies, many of which are beyond the Company's control and many of which, with respect to future business decisions, are subject to change. Examples of such uncertainties and contingencies include, among other important factors, those affecting the insurance industry generally, such as the economic and interest rate environment, federal and state legislative and regulatory developments, including but not limited to changes in financial services, employee benefit and tax laws and regulations, changes in accounting rules and interpretations thereof, market pricing and competitive trends relating to insurance products and services, acts of terrorism or war, and the availability and cost of reinsurance, and those relating specifically to the Company's business, such as the level of its insurance premiums and fee income, the claims experience, persistency and other factors affecting the profitability of its insurance products, the performance of its investment portfolio and changes in the Company's investment strategy, acquisitions of companies or blocks of business, and ratings by major rating organizations of the Company and its insurance subsidiaries. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. Certain of these uncertainties and contingencies are described in more detail in Part I, Item 1A of the 2006 Form 10-K, "Risk Factors" and Part II, Item 1A of this Quarterly Report, "Risk Factors". The Company disclaims any obligation to update forward-looking information.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

The following discussion, which supplements the significant factors that may affect our business and operations described in Part I, Item 1A of the 2006 Form 10-K, "Risk Factors", updates and supercedes the discussion contained therein relating to this risk factor.

The Company's financial position and results of operations may be adversely impacted by changes in accounting rules and in the interpretations of such rules.

The Company's financial position and results of operations are reported in accordance with GAAP, in the case of the Company, and in accordance with statutory accounting principles, in the case of the statutory financial statements of its insurance subsidiaries. Changes in the applicable GAAP or statutory accounting rules, or in the interpretations of such rules, may adversely affect the Company's and such subsidiaries' reported financial condition and results of operations.

As of January 1, 2007, the Company adopted the American Institute of Certified Public Accountants Statement of Position ("SOP") 05-1, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or

Exchanges of Insurance Contracts.” SOP 05-1 provides accounting guidance for deferred policy acquisition costs associated with internal replacements of insurance and investment contracts not addressed by previous guidance, including group insurance contracts. It defines an internal replacement as a modification in product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement or rider to a contract, or by the election of a feature or coverage within a contract. The after-tax reduction to the Company’s retained earnings resulting from the adoption of SOP 05-1 on January 1, 2007 was in the amount of \$82.6 million, which represents the net reduction in the deferred policy acquisition cost from internal replacements included in cost of business acquired on the consolidated balance sheet. However, these matters involve a significant degree of interpretive judgment, and the Company’s interpretation is subject to future change due to the issuance of further accounting guidance regarding SOP 05-1 or its application by the accounting industry. It is therefore possible that this reduction will be adjusted, either upward or downward, in the event of such a change. An upward adjustment could materially adversely affect the Company’s consolidated financial position; in addition, changes required by future accounting guidance regarding SOP 05-1 or its implementation could materially adversely affect the Company’s results of operations.

Item 6. Exhibits

- 10.1 Second Amended and Restated Directors Stock Plan
- 10.2 Reliance Standard Life Insurance Company Amended and Restated Management Incentive Compensation Plan
- 10.3 2007 Exhibits to the Reliance Standard Life Insurance Company Amended and Restated Management Incentive Compensation Plan
- 11.1 Computation of Results per Share of Common Stock (incorporated by reference to Note G to the Consolidated Financial Statements included elsewhere herein)
- 31.1 Certification by the Chairman of the Board and Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) or 15d-14(a)
- 31.2 Certification by the Vice President and Treasurer of Periodic Report Pursuant to Rule 13a-14(a) or 15d-14(a)
- 32.1 Certification of Periodic Report Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DELPHI FINANCIAL GROUP, INC. (Registrant)

/s/ ROBERT ROSENKRANZ

Robert Rosenkranz
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

/s/ THOMAS W. BURGHART

Thomas W. Burghart
Vice President and Treasurer
(Principal Accounting and Financial Officer)

Date: May 10, 2007

**DELPHI FINANCIAL GROUP, INC.
SECOND AMENDED AND RESTATED DIRECTORS STOCK PLAN**

Delphi Financial Group, Inc. (the "Company") has adopted the Second Amended and Restated Delphi Financial Group, Inc. Directors Stock Plan effective April 1, 2003, subject to the approval of the stockholders of the Company. This Plan amends and restates the Company's Amended and Restated Directors Plan, as amended.

1. PURPOSE

This Amended and Restated Directors Stock Plan (the "Plan") is intended to increase the proprietary interest in Delphi Financial Group, Inc. (the "Company") of outside directors of the Company, *i.e.*, directors who are not officers or employees of the Company or its subsidiaries, whose continued services are important to the continued success of the Company, thereby providing them with additional incentive to continue to serve as directors. The Plan provides for the issuance of nonqualified stock options ("Options") and Restricted Shares, as set forth below. The Plan shall be effective upon its approval by the stockholders of the Company (as provided in Section 10 below).

2. ADMINISTRATION

Except as to discretionary grants of Options pursuant to Section 5(B), the Plan shall be substantially self-executing. Such discretionary grants, and any administrative determinations regarding the Plan that may be required to be made, shall be made pursuant to the affirmative vote of a majority of the members of a committee consisting of the members of the Company's Board of Directors (the "Committee"). All ministerial matters relating to the Plan shall be performed by or at the direction of the Committee.

3. ELIGIBILITY

The persons who shall receive Options or Restricted Shares (the "Participants") shall be members of the Company's Board of Directors who are not officers or employees of the Company or any of its subsidiaries ("Subsidiaries"), as that term is defined by Section 424(f) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). Persons eligible to be Participants are sometimes referred to herein as "Outside Directors."

4. STOCK

The stock subject to the Options and Restricted Shares (collectively, the "Awards") shall be shares (the "Shares") of the Company's authorized but unissued or reacquired

Class A common stock, par value \$.01 per share. The aggregate number of Shares as to which Awards may be granted shall not exceed 450,000. The limitation established by the preceding sentence shall be subject to adjustment as provided in Section 5(F) of the Plan. In the event that any outstanding Award under the Plan for any reason expires, terminates or is cancelled, the Shares allocable to the unexercised portion of an Option or the unvested portion of Restricted Shares will again be available for Awards thereafter made under the Plan.

5. TERMS AND CONDITIONS OF AWARDS

A. Option Grants. Options shall automatically be granted under the Plan as follows:

(i) On the first business day immediately following each date on which the Company holds its annual meeting of stockholders (commencing with the 2007 meeting), each Outside Director then in office will automatically be awarded as of such date Options exercisable for a number of Shares determined pursuant to the following formula: Number of Option Shares = (\$100,000 multiplied by 3) divided by (Fair Market Value, as that term is defined in Section 5(C)(ii) hereof, as of the award date).

(ii) Each Outside Director shall, on the first business day following each date on which such director is elected, re-elected or appointed, as applicable, to the Company's Board of Directors (such following day, the "Award Date"), commencing with the elections to occur at the 2003 annual meeting of stockholders, be awarded Options in lieu of the cash amount (the "Retainer Amount") that such director would be entitled to receive for serving as such in the period from the Award Date up to the date of the Company's next following annual meeting of stockholders, exclusive of meeting fees, fees for serving on any committee of the Board, or fees associated with any other services provided to the Company or its Subsidiaries. Such Options will be exercisable for the nearest number of whole Shares determined pursuant to the following formula: Number of Option Shares = (Retainer Amount multiplied by 3), divided by (Fair Market Value, as that term is defined in Section 5(C)(ii) hereof, as of the award date). Notwithstanding the foregoing, Options will not be awarded pursuant to this Section 5(A)(ii) if the Outside Director files with the Secretary of the Company, on or prior to the commencement of the calendar year in which the applicable Award Date is to occur, a written election not to receive Options in lieu of the Retainer Amount (other than the first Award Date following approval of the Plan and the Award Date following the date on which such director is first elected or appointed, in which case such election may be made at any time prior to such Award Date) and instead to receive either cash or Restricted Shares, as set forth below. The number of Restricted Shares credited to an Outside Director who elects such Awards shall be the nearest number of whole Shares determined by dividing the Retainer Amount (or, in the case of an Outside Director who has elected to receive cash, the Retainer Amount to the extent it exceeds the maximum cash payable) by the Fair Market Value of a Share on the Award Date.

B. Discretionary Option Grants. Without limiting the operation of Section 5(A) hereof, the Committee may also make discretionary Option grants to Outside Directors hereunder. The Committee may determine in its discretion the Outside Directors to whom any such Options are to be granted under this Plan, the number of Shares to be subject to each such Option and the other terms and conditions of such Options, consistent with the terms of the Plan.

C. Terms of Options. Promptly after each award pursuant to Section 5(A) or Section 5(B) hereof, a Notice of Award of Stock Option (an "Option Notice") shall be given to each Optionee, which notice shall comply with and be subject to the following terms and conditions:

(i) **Number of Shares.** Each Option Notice shall state the number of Shares to which it pertains.

(ii) **Option Price.** Each Option Notice shall state the Option price per Share, which shall be 100% of the Fair Market Value of a Share on the date of the grant of the Option (the "Option Price"). For purposes hereof, "Fair Market Value" shall be the closing price on the applicable date of a Share, as reported on the New York Stock Exchange (the "NYSE"), or, if the Shares are not then listed for trading on the NYSE, the closing price of the Shares as reported on another recognized securities exchange or on the NASDAQ National Market System if the Shares shall then be listed on such exchange or system. If the Shares did not trade on the award date on the NYSE or such other applicable exchange or system, the Fair Market Value for purposes hereof shall be the reported closing price on the last business day on which the Shares were traded preceding the award date.

(iii) **Payment of Option Price.** The Option Notice may provide that the Optionee may make payment of the Option Price in cash, Shares or such other consideration as may be specified therein or as may be acceptable to the Committee, or any combination thereof, in an amount or having an aggregate value, as the case may be, equal to the total Option Price. Such payment shall be made upon exercise of the Option.

(iv) **Term, Transferability and Exercisability of Options.**

(a) Each Option Notice shall state the date on which the Option shall expire (the "Expiration Date"), which shall be ten years from the date on which the Option is awarded. Options are not assignable or transferable by an Optionee other than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code or by Title I of the Employee Retirement Income Security Act, or the rules thereunder. Notwithstanding the foregoing, if provided in the applicable Option Notice (at the time of grant or at any time thereafter), an Option granted hereunder may be transferred for no consideration by the Optionee to members of his or her immediate family, to a trust or trusts established for the exclusive benefit only of one or more members of his or her immediate family or to a partnership or other entity in which his or her immediate family members are the only partners or owners. Any Option held by the transferee will continue to be subject to the same terms and conditions that were applicable to the Option immediately prior to the transfer, except that the Option will be transferable by the transferee only by will or the laws of descent and distribution. For pur-

poses hereof, "immediate family" means the Optionee's children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse, siblings (including half brothers and sisters), in-laws, and relationships arising because of legal adoption.

(b) Options granted pursuant to Section 5(A)(i) hereof shall become exercisable in three equal annual installments of thirty-three and one-third percent (33 1/3%) each, beginning on the first day of May of the year following the year in which the grant is made. Options granted pursuant to Section 5(A)(ii) hereof shall become exercisable in four substantially equal installments (without taking into account any fractional share) on the dates which follow the date of the grant by 90, 180, 270 and 360 days, respectively. Options granted pursuant to Section 5(B) hereof shall become exercisable on such terms and conditions as are established by the Committee and set forth in the Option Notice. Once Options with respect to Shares become exercisable as aforesaid, they may be exercised in whole or in part from time to time through the applicable Expiration Date, subject to the terms and conditions hereof. Upon or in connection with a Change of Ownership, each Optionee shall have the right, immediately prior to such Change of Ownership, to exercise his or her Options without regard to the foregoing installment provisions as to exercisability. For purposes of this Plan, a "Change of Ownership" shall be deemed to have occurred (1) if individuals who, as of the effective date of this Plan, constitute the Board of Directors of the Company (the "Board of Directors" generally and as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the directors constituting the Board of Directors, provided that any person becoming a director subsequent to the effective date of this Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters (3/4) of the then directors who are members of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is (A) in connection with the acquisition by a third person, including a "group" as such term is used in Section 13(d)(3) of the Securities and Exchange Act of 1934, as amended (the "1934 Act"), of beneficial ownership, directly or indirectly, of 20% or more of the combined voting securities ordinarily having the right to vote for the election of directors of the Company (unless such acquisition of beneficial ownership was approved by a majority of the Board of Directors who are members of the Incumbent Board), or (B) in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or (2) if the stockholders of the Company approve a merger, consolidation, recapitalization or reorganization of the Company, reverse split of any class of voting securities of the Company, or an acquisition of securities or assets by the Company, or the sale or disposition by the Company of all or substantially all of the Company's assets, or if any such transaction is consummated without stockholder approval, other than any such transaction in which the holders of outstanding Company voting securities immediately prior to the transaction receive, with respect to such Company voting securities, voting securities of the surviving or transferee entity representing more than 60 percent of the total voting power outstanding immediately after such transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction; or (3) if the stockholders of the Company approve a plan of complete liquidation of the Company.

(c) At any time and from time to time when any Option or portion thereof is exercisable, such Option or portion thereof may be exercised in whole or in part, as applicable; provided, however, that the Company shall not be required to issue fractional Shares.

(v) **Termination of Service Except by Death, Disability, Retirement or Removal for Cause.** In the event that the Optionee shall cease to be an Outside Director for any reason other than death, disability, retirement or removal for cause as further provided herein, Options granted pursuant to Section 5(A)(i) and Section 5(B) hereof may be exercised only within three (3) months after such termination of service or such longer period as may be established by the Committee at the time of grant or thereafter. Sections 5(C)(vi) and 5(C)(viii) hereof shall not be construed to limit the right of an Optionee (or, in the case of the death of an Optionee, the persons referenced in the second sentence of Section 5(C)(vi)) to exercise Options granted pursuant to Section 5(A)(ii) hereof prior to their Expiration Date. Notwithstanding anything contained in this Plan to the contrary, any Option that is not exercisable on the last day on which an Optionee is an Outside Director shall, unless otherwise determined by the Committee in its discretion in any particular instance, expire immediately, and in no event shall any Option be exercised after its Expiration Date.

(vi) **Death or Disability of Optionee.** In the event an Optionee shall die or become disabled while a director of the Company, all of such Optionee's outstanding Options shall become exercisable, and all of such outstanding Options may be exercised at any time within one (1) year after the Optionee's death or disability or such longer period as may be established by the Committee at the time of grant or thereafter, but in no event may an Option be exercised after its Expiration Date. During such one-year period, the Option may be exercised by the Optionee or a representative, or in the case of death, by the executors or administrators of the Optionee or by any person or persons who shall have acquired the Option directly from the Optionee by bequest or inheritance. Whether an Optionee shall have become disabled for the purposes of the Plan shall be determined by the Committee, which determination shall be final and conclusive.

(vii) **Removal for Cause.** If an Optionee is removed as a director of the Company on account of any act of (a) fraud or intentional misrepresentation or (b) embezzlement, misappropriation or conversion of assets or opportunities of the Company, or any unauthorized disclosure of confidential information or trade secrets of the Company, all unexercised Options shall terminate as of the date of such Optionee's removal.

(viii) **Retirement.** To the extent an Option was exercisable on the last date of service as a director of the Company, such Option may be exercised up to one (1) year following the Optionee's retirement at or after age 75 or such longer period as may be established by the Committee at the time of grant or thereafter, but in no event may an Option be exercised after its Expiration Date.

(ix) **Modification, Extension and Renewal of Options.** Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend

or renew outstanding Options granted under the Plan, or accept the surrender of outstanding Options (to the extent not theretofore exercised). Notwithstanding the foregoing, however, no modification of an Option shall, without the consent of the Optionee, alter or impair any rights or obligations under any Option theretofore granted under the Plan.

D. Restricted Shares. Restricted Shares issued hereunder will vest in four equal installments on the dates which follow the date of grant by 90, 180, 270 and 360 days, respectively. From and after the date of grant, the Participant will be entitled to vote and receive dividends, if any, on the Restricted Shares. In the event the Participant's service on the Board of Directors ceases for any reason prior to a vesting date, the unvested Restricted Shares shall be forfeited to the Company. Notwithstanding the foregoing, the Restricted Shares shall vest in full upon a Change of Ownership (as defined above). Prior to vesting, the Restricted Shares shall not be transferable other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, as defined by the Code.

E. Recapitalization, Reorganization, Etc., of Company.

(i) Subject to any required action by the stockholders, the number of Shares covered by each outstanding Award, and the price per Share of any Option so covered, shall automatically be proportionately adjusted for any increase or decrease in the number of issued shares of Class A Common Stock of the Company resulting from a subdivision or consolidation of Shares or the payment of a stock dividend or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company.

(ii) If, pursuant to any reorganization, recapitalization, sale or exchange of assets, consolidation or merger, outstanding Class A Common Stock of the Company is or would be exchanged for other securities of the Company or of another corporation which is a party to such transaction, or for property, whether or not any such transaction gives rise to a Change of Ownership, any Awards under the Plan theretofore granted shall apply to the securities or property into which the Class A Common Stock covered thereby shall be so changed or for which such Class A Common Stock shall be exchanged. In any of such events, the total number and class of Shares then remaining available for issuance under the Plan (including Shares reserved for outstanding Awards and Shares available for future grant of Awards under the Plan) shall likewise be adjusted so that the Plan shall thereafter cover the number and class of shares equivalent to the Shares covered by the Plan immediately prior to such event.

(iii) In the event of a change in the Class A Common Stock of the Company as presently constituted, which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Class A Common Stock within the meaning of the Plan.

(iv) Adjustments pursuant to Section 5(F)(ii) hereof shall be made by the Committee, whose determination as to which shall be final, binding and conclusive.

(v) Except as hereinbefore expressly provided in this Section 5(F), a Participant shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger or consolidation or spin-off of assets or stock of another corporation, and any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Class A Common Stock subject to the Award.

(vi) The grant of an Award pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, mergers, reorganizations or changes of its capital or business structure, to merge or to consolidate, to dissolve or liquidate or to sell or transfer all or any part of its business or assets.

F. Rights as a Stockholder. No person shall have any rights as a stockholder with respect to any Shares covered by an Option until the date of the issuance of the Shares to such person. No adjustments shall be made to outstanding Options for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights, except as provided in Section 5(F) hereof.

G. Investment Purpose. Each Award made under the Plan shall be granted on the condition that any purchases of Shares hereunder shall be for investment purposes and not with a view to resale or distribution, except that in the event the Shares are registered under the Securities Act of 1933, as amended (the "Act"), or in the event a resale of such Shares without such registration would otherwise be permissible, such condition shall be inoperative if, in the opinion of counsel for the Company, such condition is not required under the Act, or any other applicable law, regulation or rule of any governmental agency.

H. Other Provisions. The Option Notice and the terms of other Awards shall comply with and be subject to the terms and conditions of the Plan, and shall contain such other terms, conditions and provisions as the Committee shall deem advisable.

6. TERM OF PLAN

Awards shall be granted pursuant to the Plan from time to time within the period of ten years from the earlier of the date of adoption of the Plan and the date on which the Plan is approved by the stockholders of the Company.

7. AMENDMENT OF THE PLAN

The Board of Directors may, insofar as permitted by law, from time to time, with respect to any Shares not then subject to Awards, suspend or discontinue the Plan or revise or amend it in any respect whatsoever, subject to the approval of the stockholders of the Company where such approval is required by law or regulation or pursuant to the rules of the NYSE or, if the Shares are not listed on the NYSE, the rules of any other exchange or market on which the

Shares may be traded.

8. APPLICATION OF FUNDS

The proceeds received by the Company from the sale of shares pursuant to Options will be used for general corporate purposes.

9. NO OBLIGATION TO EXERCISE OPTION

The granting of an Option shall impose no obligation upon the Optionee to exercise such Option.

10. APPROVAL OF STOCKHOLDERS

This Plan shall be effective upon its approval by the stockholders of the Company.

11. NO RIGHT TO NOMINATION

Neither the Plan nor any action taken hereunder shall be construed as giving any director any right to be nominated for reelection to the Company's Board of Directors.

12. EFFECT OF PLAN UPON OTHER OPTIONS AND COMPENSATION PLANS

The adoption of this Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company or any Subsidiary to (a) establish any other forms of incentives or compensation for employees or directors or persons associated with the Company or any Subsidiary, or (b) grant or assume options otherwise than under this Plan in connection with any proper corporate purpose, including, but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, firm or association.

RELIANCE STANDARD LIFE INSURANCE COMPANY
AMENDED AND RESTATED
MANAGEMENT INCENTIVE COMPENSATION PLAN

ARTICLE I - INTRODUCTION, OBJECTIVES AND DURATION

1.1 INTRODUCTION. Reliance Standard Life Insurance Company ("RSL" or the "Company") hereby amends and restates its existing plan known as the RSL Management Incentive Compensation Plan (as so amended and restated, the "Plan"), to read in the form set forth herein.

The Plan permits the payment of annual awards, based on the achievement of certain pre-established goals, in cash, stock options or a combination thereof.

The RSL Management Incentive Compensation Plan became effective as of January 1, 2001 and shall remain in effect as provided in Section 1.3 hereof. The first Performance Period (as defined in Section 2.12 hereof) was calendar year 2001.

1.2 PLAN OBJECTIVE. To promote profitable growth of the Company by providing eligible employees with incentive based compensation, so as to permit RSL to attract and retain employees of the highest caliber who will demonstrate outstanding performance and will assist in the achievement of overall objectives.

1.3 DURATION. The Plan shall remain in effect unless and until terminated by the Committee or the Board of Directors; however, each of the Exhibits to the Plan must be separately approved by the Committee for each Performance Period.

ARTICLE II - DEFINITIONS

The following terms will have the definitions set forth below:

2.1 "ACHIEVEMENT PERCENTAGE" means the percentage amount as determined by the Chairman of the Board of RSL pursuant to Exhibit D hereof, as in effect for the applicable Performance Period.

2.2 "AWARD" means an award under the Plan of cash, stock options or any combination thereof in respect of an Incentive Bonus.

2.3 "BASE SALARY" means the employee's annual base salary on the date on which the applicable Performance Period commences.

2.4 "BOARD" or "BOARD OF DIRECTORS" means Board of Directors of the Company.

2.5 "COMMITTEE" means, as specified in Article 3 herein, the Compensation Committee of the Board or such other committee as may be appointed by the Board to administer the Plan.

2.6 "COMPANY" means Reliance Standard Life Insurance Company, an Illinois corporation, and any successor thereto.

2.7 "DELPHI COMMITTEE" means the Stock Option and Compensation Committee of the Board of Directors of the Company's indirect parent, Delphi Financial Group, Inc., or any other committee of such board as may in the future perform functions similar to those of such committee.

2.8 "INCENTIVE BONUS" means the bonus and calculation thereof for the applicable Performance Period as described in Exhibit B hereof, as in effect for such Performance Period.

2.9 "MEASURING OBJECTIVE" shall, with respect to a Performance Period, have the meaning ascribed to such term in Exhibit C hereof, as in effect for such Performance Period.

2.10 "PARTICIPANT" means, with respect to each Performance Period, an employee of the Company designated as a Participant in this Plan for such period pursuant to the provisions of the Plan.

2.11 "PARTICIPATION PERCENTAGE" is, as to each Participant with respect to a Performance Period, a percentage determined on a discretionary basis by such Participant's manager based on the manager's assessment of the Participant's performance during such Performance Period, subject to the further approvals of the Company senior officer responsible for such Participant's department and the President of RSL.

2.12 "PERFORMANCE PERIOD" means a calendar year or such other fiscal year or partial year performance period as is established by the Committee.

ARTICLE III - ADMINISTRATION

3.1 ADMINISTRATION. The Plan will be administered by the Committee. Except as limited by law and subject to the provisions hereof, the Committee shall have the authority to adopt procedures for the administration of the Plan and to take any and all action necessary to implement such procedures.

The Committee shall have full authority to designate Participants under the Plan, determine the amounts and forms of Awards, determine the terms and conditions of Awards in a manner consistent with the Plan, construe and interpret the Plan and any agreement or instrument entered into under the Plan, make factual determinations and establish, amend, or waive rules and regulations for the Plan's administration. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. The Committee has provided for limited delegations of its authority as to certain matters, as provided herein.

3.2 DECISIONS BINDING. All determinations and decisions made by the Committee or other authorized persons pursuant to the provisions of the Plan (a) shall be final, conclusive and binding on all persons, including the Company, its employees, Participants, and their heirs, estates and beneficiaries, (b) shall be in the sole discretion of the Committee, and (c) need not be uniform as to similarly situated individuals.

3.3 DELPHI COMMITTEE. Notwithstanding anything contained in the Plan to the contrary, it is confirmed and understood that any action proposed to be taken by the Committee, the Chairman of the Board of RSL, the President of RSL or the Board of Directors under the Plan, insofar as it relates, generally or specifically, to a Participant whose compensation is subject to the review and approval of the Delphi Committee, or which relates to the granting of any Delphi stock option, shall, in addition to any approvals otherwise required under the Plan, be subject in all respects to the review and approval of the Delphi Committee. It is hereby confirmed that, as of the date of the Plan, such employees consist of the President and Chief Executive Officer and Vice President and Treasurer of the Company. In the event of any conflict between this Section 3.3 and any other provision of the Plan or any Exhibit hereto, this Section 3.3 will prevail.

ARTICLE IV - INCENTIVE PARTICIPATION

4.1 ELIGIBILITY, PARTICIPANTS AND PERFORMANCE PERIOD. Eligibility to participate in the Plan for a Performance Period is restricted to the Participants identified in Exhibits A-1 and A-2, as adopted by the Committee in its sole discretion for such Performance Period.

4.2 MAXIMUM PARTICIPATION. Maximum Participation Percentages relating to each Participant's Base Salary shall be established by the Committee in its sole discretion for each Performance Period.

4.3 FORM OF AWARDS. Awards may be paid in cash, Delphi stock options or any combination thereof, as determined by the Committee in its sole discretion or, to the extent expressly authorized and directed by the Committee, by each Award recipient. Notwithstanding the foregoing, any stock option grant shall be subject in all respects to, and shall become effective only upon, the approval of such option grant by the Delphi Committee under the applicable Delphi stock plan, in such committee's sole discretion.

4.4 DISTRIBUTION. After the close of each Performance Period the actual Participation Percentage and Incentive Bonus, if any, will be determined for each Participant in the Plan for such Performance Period. Awards for a Performance Period, if any, will be paid promptly upon the receipt of confirmation from the independent auditor for Delphi and the Company that its GAAP audit relating to such Performance Period is substantially complete, which will generally occur at the regular first quarter meeting of the Audit Committee of the Board of Directors of Delphi. Each Participant for a Performance Period will be notified of his or her Award under the Plan, if any, for such Performance Period.

4.5 PARTIAL AWARDS. An employee hired or promoted by the Company during a Performance Period may, if so determined by the Committee or the President of RSL, be designated as a Participant for such Performance Period on such terms as the Committee as may determine in its sole discretion.

4.6 TERMINATION OF EMPLOYMENT, DISABILITY. Except as provided below, a Participant must be employed by the Company at the close of a Performance Period in order to participate in and receive an Award for such Performance Period. If a Participant's employment is terminated during the Performance Period for any reason other than termination by RSL for cause, as determined by the Committee or the President of RSL, such Participant may participate in the Plan for such Performance Period only to the extent, if any, deemed appropriate by the Committee or the President of RSL. If a Participant's employment is terminated for cause, as determined by the Committee or the President of RSL, whether during or after the close of the Performance Period, such Participant shall have no right to receive any Award for such Performance Period.

If a Participant terminates employment (other than due to death, disability, or retirement) after the close of a Performance Period but prior to the date for actual payment of an Award under this Plan, the President of RSL will determine the extent (if any) of any payment of an Award to such Participant for such Performance Period.

ARTICLE V - EXHIBITS, CALCULATIONS, AND CHANGES

5.1 PERFORMANCE CRITERIA AND CALCULATIONS. The Exhibits for a Performance Period relating to Participants, Incentive Bonus Calculation, Measuring Objectives and Achievement Percentage, must be approved by the Committee with respect to each Performance Period. The Award for each Participant with respect to a Performance Period, if any, shall be calculated in accordance with Exhibit B (Incentive Bonus Calculation).

5.2 CHANGES. The Measuring Objective for a Performance Period may be changed by the Committee or the Board of Directors where deemed appropriate, in its sole discretion, to reflect a change in circumstances, operating strategy or otherwise. The Committee may, in its sole discretion, (a) modify, reduce or eliminate the Award otherwise payable to any Participant and (b) grant Awards to Participants in such amounts and on such terms as the Committee determines in its sole discretion.

ARTICLE VI – DEFERRALS

A Participant may defer his or her Award to the extent permitted pursuant to any rules and procedures for such deferrals established by the Committee or pursuant to the terms of any qualified or non-qualified Company deferred compensation plans as may be in effect from time to time.

ARTICLE VII – RIGHTS OF EMPLOYEES

7.1 NOT A CONTRACT. This Plan does not constitute a contract between RSL and any Participant, and no Participant shall have any legal rights by reason of the existence of this Plan. No right, benefit or Award under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void. If any Participant hereunder should become bankrupt or attempt to participate, alienate, sell, assign, pledge, encumber or

charge any right or benefit hereunder, then such right, benefit or Award shall, at the discretion of the Committee or the Board of Directors, cease and terminate. RSL may offset any claim it has against a Participant against any amount to which such Participant may otherwise be entitled hereunder, but rights hereunder shall not otherwise be subject to debts or liabilities of any Participant.

7.2 EMPLOYMENT. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, or confer upon any Participant any right to continue in the employ of the Company.

7.3 PARTICIPATION. No employee shall have the right to be selected as a Participant under this Plan for any Performance, or, having been so selected in any Performance Period, to be selected as a Participant for any future Performance Period.

ARTICLE VIII - AMENDMENT, MODIFICATION, AND TERMINATION

8.1 AMENDMENT, MODIFICATION, AND TERMINATION. The Committee may at any time and from time to time, alter, amend, modify or terminate the Plan or any Exhibits thereto, in whole or in part.

8.2 AWARDS PREVIOUSLY GRANTED. No termination, amendment, or modification of the Plan shall adversely affect in any material respect any Award to which a Participant has become entitled under the Plan without the written consent of such Participant.

ARTICLE IX - WITHHOLDING

The Company shall deduct or withhold from Awards or other amounts payable to a Participant, or require the Participant to remit to the Company, an amount deemed by the Company to be sufficient to satisfy the related Federal, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect thereto.

ARTICLE X - INDEMNIFICATION

Each person who is or shall have been a member of the Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in a settlement approved by the Company, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to defend the same before he or she undertakes to defend it or his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

ARTICLE XI - SUCCESSORS

All obligations of the Company under the Plan with respect to Awards to which a Participant has become entitled hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or a merger, consolidation, or otherwise.

ARTICLE XII - LEGAL CONSTRUCTION

12.1 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular and the singular shall include the plural.

12.2 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remainder of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

12.3 REQUIREMENTS OF LAW. The granting of Awards and the issuance of stock and/or cash payouts under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

12.4 GOVERNING LAW. To the extent not preempted by federal law, the Plan and all agreements hereunder shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania.

In witness thereof, the Company has caused this Amended and Restated Management Incentive Compensation Plan to be executed by its duly authorized officer, effective February 8, 2007.

Reliance Standard Life Insurance Company

By: /s/ LAWRENCE E. DAURELLE
Signature

Title: President and Chief Executive Officer

Date: February 8, 2007

EXHIBIT 10.3

EXHIBIT A-1 FOR PERFORMANCE PERIOD 2007

**SENIOR MANAGEMENT PARTICIPANTS
MAXIMUM INCENTIVE PAYMENTS**

<u>Participant</u>	<u>Maximum Participation Rate</u>	<u>Base Salary</u>	<u>Incentive Payment At Maximum Participation Rate</u>
Thomas W. Burghart	50%	\$ 240,000	\$ 120,000
Lawrence E. Daurelle	110%	350,000	385,000

[DATA RELATING TO OTHER PARTICIPANTS DELETED]

EXHIBIT B FOR PERFORMANCE PERIOD 2007

INCENTIVE BONUS CALCULATION

A Participant will be eligible to receive an Incentive Bonus if RSL achieves the Measuring Objective for the 2007 Performance Period, as set forth in Exhibit C. For each Participant, the Incentive Bonus will be the product of the following:

[Achievement Percentage, as set forth in Exhibit D] * [Participation Percentage] * [Base Salary].

The Participation Percentage for each Participant will be subject to the maximum percentage for such person set forth in Exhibits A-1 and A-2.

For Participants set forth in Exhibit A-1 only, the Committee in its sole discretion may elect to award the Incentive Bonus as either (a) cash or (b) a grant of options to purchase shares of Delphi Class A Common Stock ("Options"), or a combination of both, subject to the approval of each option grant by the Stock Option and Compensation Committee (the "Delphi Committee") of the Board of Directors of Delphi Financial Group, Inc. ("Delphi"). With regard to Options, the Incentive Bonus amount shall be divided by the fair market value of the Delphi Class A Common Stock on the date of grant of the option, and the quotient then multiplied by three (3), yielding the total number of Incentive Options awarded.

For Participants set forth in Exhibit A-2, the Incentive Bonus is payable in cash.

All Options shall be granted under, and be subject to the terms and conditions of, Delphi's 2003 Employee Long-Term Incentive and Share Award Plan, as amended from time to time. In addition, subject to the approval of the Delphi Committee, such Options will be immediately exercisable and, in the case of termination of employment, by either party, for any reason whatsoever (subject to the following sentence), may be exercised any time during the remainder of the ten (10) year term. If a Participant's employment is terminated by the Company on account of any act of (a) fraud or intentional misrepresentation or (b) embezzlement, misappropriation or conversion of assets or opportunities of the Company, or any unauthorized disclosure of confidential information or trade secrets of the Company, all unexercised Options shall terminate as of the date of such termination.

EXHIBIT C FOR PERFORMANCE PERIOD 2007

MEASURING OBJECTIVE

The Measuring Objective for the 2007 Performance Period is the attainment of Life Insurance Companies Operating Income per the Elements of Profit on page two of the monthly financial package, for the life companies only, in the amount of at least \$149,080,000.

EXHIBIT D FOR PERFORMANCE PERIOD 2007

ACHIEVEMENT PERCENTAGE

If the actual results of RSL for the 2007 Performance Period equal or exceed the Measuring Objective for the Performance Period, the 2007 Achievement Percentage will be equal to 100%, subject to upward or downward adjustment as determined by the Chairman of the Board of RSL; however, such percentage, as so adjusted, will not be less than 90% or greater than 110%.

If the actual results of RSL for the 2007 Performance Period are less than the 2007 Measuring Objective, the Achievement Percentage will be a percentage in the amount, if any, as determined by and at the sole discretion of the Chairman of the Board of RSL.

CERTIFICATION

I, Robert Rosenkranz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Delphi Financial Group, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2007

/s/ ROBERT ROSENKRANZ

Robert Rosenkranz
Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Thomas W. Burghart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Delphi Financial Group, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2007

/s/ THOMAS W. BURGHART _____

Thomas W. Burghart
Vice President and Treasurer

CERTIFICATION PURSUANT
TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Delphi Financial Group, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT ROSENKRANZ _____

Robert Rosenkranz
Chairman of the Board and Chief Executive Officer

/s/ THOMAS W. BURGHART _____

Thomas W. Burghart
Vice President and Treasurer

May 10, 2007