

**IMPORTANT NOTE:** On January 1, 2011, the Company adopted FASB Accounting Standards Update No. 2010-26 on a retrospective basis. As a result, certain financial information for prior periods was restated, including various items of information contained in this historical report. Accordingly, readers of this report should refer to the Company's Financial Supplement for the first quarter of 2011, which is available on the Company's website at [www.delphifin.com/financial/stats.html](http://www.delphifin.com/financial/stats.html), for such items of information, as restated, since this report has not been updated or revised in any manner to reflect the impacts of such restatement.

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***DELPHI***  
Financial Group, Inc.

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**FINANCIAL  
SUPPLEMENT**

**FIRST QUARTER 2010**

**DELPHI FINANCIAL GROUP, INC.**  
**Financial Supplement**  
**First Quarter 2010**

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

This report is for informational purposes only. It should be read in conjunction with documents filed by Delphi with the Securities and Exchange Commission, including the most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and earnings press releases furnished on Form 8-K. The interim financial statements and related data included herein are unaudited. This report is dated April 27, 2010. Information contained in this report may not be accurate after such date. Delphi disclaims any duty to update this information after such date.

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

Operating earnings, which is a non-GAAP financial measure, consist of income from continuing operations excluding after-tax realized investment gains and losses, and losses on redemptions of junior subordinated deferrable interest debentures, as applicable. The Company believes that because realized investment gains and losses, redemptions of junior subordinated deferrable interest debentures and discontinued operations arise from events that, to a significant extent, are within management's discretion and can fluctuate significantly, thus distorting comparisons between periods, a measure excluding their impacts is useful in analyzing the Company's operating trends. Investment gains or losses may be realized based on management's decision to dispose of an investment, and investment losses may be realized based on management's judgment that a decline in the market value of an investment is other than temporary. Redemptions of junior subordinated deferrable interest debentures occur based on management's decision to exercise its ability to redeem the outstanding debentures. Discontinued operations occur based on management's decision to exit or sell a particular business. Thus, realized investment gains and losses, losses on redemptions of junior subordinated deferrable interest debentures and results from discontinued operations are not reflective of the Company's ongoing earnings capacity, and trends in the earnings of the Company's underlying insurance operations can be more clearly identified without the effects of these items. For these reasons, management uses the measure of operating earnings to assess performance, including, in certain cases, in connection with the performance goals under its incentive compensation plans, and to make operating plans and decisions. The Company believes that analysts and investors typically utilize measures of this type as one element of their evaluations of the financial performance of insurers. However, gains and losses of these types, particularly as to investments, occur regularly and should not be considered as non-recurring items. Further, operating earnings should not be considered a substitute for net income, the most directly comparable GAAP measure, as an indication of the Company's overall financial performance and may not be calculated in the same manner as similarly titled measures utilized by other companies. All per share amounts are on a diluted basis.

Annualized operating return on beginning equity, which is a non-GAAP financial measure, is based on operating earnings, as defined in the preceding paragraph (rather than the most directly comparable GAAP measure, net income), divided by beginning shareholders' equity. For the reasons that Delphi believes that the calculation of this non-GAAP measure based upon operating earnings is useful, see such paragraph.

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

Reconciliations of each of the non-GAAP measures discussed above to their most directly comparable GAAP measures are contained in the table captioned "Non-GAAP Financial Measures – Reconciliation to GAAP" on page 10.

**DELPHI FINANCIAL GROUP, INC.**  
**Financial Supplement**  
**First Quarter 2010**

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

	Three Months Ended			Year Ended	
	03/31/2010	03/31/2009	12/31/2009	12/31/2008	12/31/2007
For period ended:					
Operating earnings <sup>(A)</sup>	\$ 47,482	\$ 38,783	\$ 195,007	\$ 94,387	\$ 167,170
Per common share, assuming dilution <sup>(A)</sup>	0.86	0.81	3.76	1.93	3.24
Weighted average shares outstanding (diluted)	55,457	48,123	51,811	48,963	51,579
Annualized operating return on beginning shareholders' equity <sup>(A)</sup>	14.0%	18.9%	23.8%	8.3%	15.3%
At period ended:					
Assets					
Corporate debt <sup>(B)</sup>	\$ 7,144,471	\$ 6,921,375	\$ 5,953,873	\$ 6,094,810	
Junior subordinated debentures	393,750	365,750	350,750	217,750	
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	175,000	175,000	175,000	175,000	
Shareholders' equity	-	-	-	-	20,619
Diluted book value per share of common stock <sup>(C)</sup>	1,419,851	1,359,019	820,579	1,141,390	
Diluted book value per share of common stock before accumulated other comprehensive loss <sup>(A)</sup>	\$ 25.40	\$ 24.42	\$ 17.05	\$ 23.28	
Corporate debt to total capitalization ratio <sup>(D)</sup>	25.59	25.02	24.27	24.07	
Corporate debt to total capitalization ratio before accumulated other comprehensive loss <sup>(A)</sup>	19.8%	19.3%	26.1%	14.0%	
Corporate debt to total capitalization ratio before accumulated other comprehensive loss <sup>(A)</sup>	19.7%	18.9%	20.7%	13.6%	

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

<sup>(B)</sup> Corporate debt as of 03/31/2010 consists of Senior Notes of \$250.0 million and \$143.8 million due in 2020 and 2033, respectively. Corporate debt as of 12/31/2009, 12/31/2008 and 12/31/2007 consist of \$143.8 million of Senior Notes due in 2033 and outstanding borrowings under the Company's revolving credit facility.

<sup>(C)</sup> Diluted book value per share is calculated by dividing shareholders' equity, as increased by the proceeds and tax benefit from the assumed exercise of outstanding in-the-money stock options and the tax benefit from the assumed issuance of the shares underlying outstanding deferred share awards, by the number of total shares outstanding, increased by shares issued as result of such assumed option exercises and deferred share issuances. Shareholders' equity, as so increased, was \$1,465.5 million, \$1,395.3 million, \$831.2 million and \$1,253.7 million as of 03/31/2010, 12/31/2009, 12/31/2008 and 12/31/2007, respectively. The number of outstanding shares, as so increased, was 57.7 million, 57.1 million, 48.7 million and 53.9 million as of 03/31/2010, 12/31/2009, 12/31/2008 and 12/31/2007, respectively.

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

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

	03/31/2010	12/31/2009	09/30/2009	06/30/2009	03/31/2009	12/31/2008	09/30/2008	06/30/2008
Premium and fee income:								
Group employee benefit products	\$ 335,174	\$ 335,010	\$ 332,136	\$ 341,396	\$ 346,125	\$ 345,307	\$ 334,606	\$ 330,585
Asset accumulation products	359	510	244	368	519	461	445	421
Other	12,230	12,745	10,230	10,681	11,077	11,030	9,977	9,768
Total premium and fee income	<u>347,763</u>	<u>348,265</u>	<u>342,610</u>	<u>352,445</u>	<u>357,721</u>	<u>356,798</u>	<u>345,028</u>	<u>340,774</u>
Net investment income:								
Group employee benefit products	511,117	44,648	53,673	55,140	35,396	11,938	7,372	36,364
Asset accumulation products	31,238	28,487	32,531	35,096	26,982	8,962	10,073	22,963
Other	1,695	1,492	2,478	1,787	477	1,456	1,962	1,423
Total investment income	<u>84,050</u>	<u>74,627</u>	<u>88,682</u>	<u>92,023</u>	<u>62,855</u>	<u>22,356</u>	<u>19,407</u>	<u>60,750</u>
Benefits and expenses:								
Group employee benefit products	315,459	312,094	311,131	317,765	322,686	321,943	308,999	303,607
Asset accumulation products	21,185	22,233	18,983	21,797	19,463	17,057	16,764	16,685
Other	21,307	17,101	20,522	21,507	19,583	12,815	18,103	18,146
Total benefits and expenses	<u>357,951</u>	<u>351,428</u>	<u>350,636</u>	<u>361,069</u>	<u>361,732</u>	<u>351,815</u>	<u>343,866</u>	<u>338,438</u>
Operating income (loss):								
Group employee benefit products	70,832	67,564	74,678	78,771	58,835	35,302	32,979	63,342
Asset accumulation products	10,412	6,764	13,792	13,667	8,038	(7,634)	(6,246)	6,699
Other	(7,382)	(2,864)	(7,814)	(9,039)	(8,029)	(329)	(6,164)	(6,955)
	<u>73,862</u>	<u>71,464</u>	<u>80,656</u>	<u>83,399</u>	<u>58,844</u>	<u>27,339</u>	<u>20,569</u>	<u>63,086</u>
Net realized investment losses	(15,106)	(47,614)	(50,459)	(27,471)	(21,999)	(28,502)	(33,740)	(19,499)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries								
Operating income (loss)	<u>\$ 58,756</u>	<u>\$ 23,850</u>	<u>\$ 30,197</u>	<u>\$ 55,928</u>	<u>\$ 36,845</u>	<u>\$ (1,163)</u>	<u>\$ (598)</u>	<u>\$ 43,587</u>

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

	Three Months Ended		Year Ended		
	03/31/2010	03/31/2009	12/31/2009	12/31/2008	12/31/2007
Revenue:					
Premium income:					
Core products:					
Disability, principally long-term	\$ 134,427	\$ 146,393	\$ 560,361	\$ 572,630	\$ 527,500
Life	97,920	103,657	393,173	402,928	364,771
Excess workers' compensation	68,005	67,812	277,485	264,244	276,252
Assumed workers' compensation and casualty reinsurance <sup>(A)</sup>	11,417	6,610	34,168	22,369	17,614
Limited benefit health insurance	9,894	7,351	31,987	24,698	16,276
Accident and dental	11,670	12,404	49,029	45,507	43,135
	<u>333,333</u>	<u>344,227</u>	<u>1,346,203</u>	<u>1,332,376</u>	<u>1,245,548</u>
Non-core products	1,841	1,898	8,464	10,647	22,044
	<u>335,174</u>	<u>346,125</u>	<u>1,354,667</u>	<u>1,343,023</u>	<u>1,267,592</u>
Net investment income	51,117	35,396	188,857	71,230	163,701
	<u>386,291</u>	<u>381,521</u>	<u>1,543,524</u>	<u>1,414,253</u>	<u>1,431,293</u>
Benefits and expenses:					
Benefits, claims and interest credited to policyholders	229,851	240,209	927,875	933,215	890,918
Commissions	23,129	23,623	95,953	90,642	85,861
Amortization of cost of business acquired	22,428	21,165	90,792	81,961	72,725
Other operating expenses	40,051	37,689	149,056	132,362	122,302
	<u>315,459</u>	<u>322,686</u>	<u>1,263,676</u>	<u>1,238,180</u>	<u>1,171,806</u>
Operating income	<u>\$ 70,832</u>	<u>\$ 58,835</u>	<u>\$ 279,848</u>	<u>\$ 176,073</u>	<u>\$ 259,487</u>
Production (new annualized gross premium):					
Core products:					
Disability, principally long-term <sup>(B)</sup>	\$ 16,888	\$ 20,342	\$ 109,409	\$ 134,215	\$ 135,375
Life	12,936	11,799	70,526	94,681	87,210
Excess workers' compensation <sup>(C)</sup>	13,388	15,125	45,251	25,832	30,092
Assumed workers' compensation and casualty reinsurance <sup>(A)</sup>	5,082	6,894	17,226	12,103	6,742
Limited benefit health insurance	6,098	6,146	20,141	12,530	17,779
Accident and dental	4,088	8,327	30,282	34,415	25,883
	<u>58,480</u>	<u>68,633</u>	<u>292,835</u>	<u>313,776</u>	<u>303,081</u>
Non-core products	1,438	1,586	6,468	10,260	9,825
Total production	<u>\$ 59,918</u>	<u>\$ 70,219</u>	<u>\$ 299,303</u>	<u>\$ 324,036</u>	<u>\$ 312,906</u>
Loss ratio (percent of total premium)	68.6%	69.4%	68.5%	69.5%	70.3%
Expense ratio (percent of total premium)	25.5%	23.8%	24.8%	22.7%	22.1%
Combined ratio (loss and expense ratio)	94.1%	93.2%	93.3%	92.2%	92.4%
Persistency ratio:					
Disability, principally long-term			81.4%	83.1%	84.9%
Life			81.2%	84.6%	84.4%
Travel accident and other			81.4%	87.8%	87.0%
Renewal ratio:					
Excess workers' compensation			92.6%	93.1%	87.6%
Assumed workers' compensation and casualty reinsurance			91.4%	80.2%	95.2%
 <sup>(A)</sup> Beginning with the three months ended 09/30/2009, this product is included in the Company's core products. Accordingly, to assist in comparability with prior periods, this product has also been included in core products for prior periods. Effective 12/31/2009, production for this product is determined by reference to the inception of a reinsurance assumed arrangement with a third party with which the Company previously had no such arrangements. Production for this product was previously determined by reference to the effectuation of a reinsurance assumed treaty with a third party, whether or not other reinsurance assumed arrangements were already in place with such third party.					
 <sup>(B)</sup> Beginning with the three months ended 09/30/2009, production from the Company's turnkey disability product is included in disability production. Accordingly, to assist in comparability with prior periods, production from the turnkey disability product has also been included in disability production for prior periods.					
 <sup>(C)</sup> Total excess workers' compensation production per above, less production from ERC renewal rights agreement	\$ 13,388	\$ 15,125	\$ 45,251	\$ 25,832	\$ 30,092
Total production excluding ERC renewal rights agreement	<u>\$ 13,388</u>	<u>\$ 15,125</u>	<u>\$ 45,251</u>	<u>\$ 25,832</u>	<u>\$ 26,709</u>

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

	Three Months Ended		Year Ended		
	03/31/2010	03/31/2009	12/31/2009	12/31/2008	12/31/2007
Revenue:					
Premium and fee income	\$ 359	\$ 519	\$ 1,641	\$ 1,918	\$ 2,666
Net investment income	31,238	26,982	123,097	57,923	98,477
	<u>31,597</u>	<u>27,501</u>	<u>124,738</u>	<u>59,841</u>	<u>101,143</u>
Benefits and expenses:					
Benefits, claims and interest credited to policyholders	15,924	15,180	61,422	55,285	52,814
Commissions	51	54	1,576	809	494
Amortization of cost of business acquired	3,142	2,128	10,614	(1,550)	8,497
Other operating expenses	2,068	2,101	8,864	8,427	7,827
	<u>21,185</u>	<u>19,463</u>	<u>82,476</u>	<u>62,971</u>	<u>69,632</u>
Operating income (loss)	<u>\$ 10,412</u>	<u>\$ 8,038</u>	<u>\$ 42,262</u>	<u>\$ (3,130)</u>	<u>\$ 31,511</u>
Sales					
	\$ 38,783	\$ 59,673	\$ 248,595	\$ 245,117	\$ 107,145
Funds under management (at end of period)	\$ 1,440,864	\$ 1,318,141	\$ 1,425,442	\$ 1,327,502	\$ 1,053,221

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

	Three Months Ended	
	03/31/2010	03/31/2009
Revenue:		
Premium and fee income	\$ 347,763	\$ 357,721
Net investment income	84,050	62,855
Net realized investment losses:		
Total other than temporary impairment losses	(27,273)	(17,608)
Portion of other than temporary impairment losses recognized in other comprehensive income	4,275	-
Net impairment losses recognized in earnings	(22,998)	(17,608)
Other net realized investment gains (losses)	7,892	(4,391)
Net realized investment losses	(15,106)	(21,999)
Total revenue	<u>416,707</u>	<u>398,577</u>
Benefits and expenses:		
Benefits, claims and interest credited to policyholders	246,321	255,598
Commissions and expenses	111,630	106,134
	<u>357,951</u>	<u>361,732</u>
Operating income	58,756	36,845
Interest expense:		
Corporate debt	7,323	3,985
Junior subordinated debentures	3,241	3,240
Income tax expense	10,529	5,136
Net income	<u>\$ 37,663</u>	<u>\$ 24,484</u>
Basic results per share of common stock:		
Net income	\$ 0.68	\$ 0.51
Weighted average shares outstanding	55,160	48,034
Diluted results per share of common stock:		
Net income	\$ 0.68	\$ 0.51
Weighted average shares outstanding	55,457	48,123
Dividends paid per share of common stock	\$ 0.10	\$ 0.10

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

	<u>03/31/2010</u>	<u>12/31/2009</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 5,107,812	\$ 4,875,681
Short-term investments	420,292	406,782
Other investments	<u>441,613</u>	<u>466,855</u>
	5,969,717	5,749,318
Cash	61,783	65,464
Cost of business acquired	238,437	250,311
Reinsurance receivables	360,429	355,030
Goodwill	93,929	93,929
Other assets	304,899	293,835
Assets held in separate account	<u>115,277</u>	<u>113,488</u>
Total assets	<u>\$ 7,144,471</u>	<u>\$ 6,921,375</u>
Liabilities and Equity:		
Policy liabilities and accruals	\$ 2,858,603	\$ 2,803,189
Policyholder account balances	1,469,397	1,454,114
Corporate debt	393,750	365,750
Junior subordinated debentures	175,000	175,000
Other liabilities and policyholder funds	711,035	647,269
Liabilities related to separate account	<u>115,277</u>	<u>113,488</u>
Total liabilities	<u>5,723,062</u>	<u>5,558,810</u>
Equity:		
Class A Common Stock	561	560
Class B Common Stock	60	60
Additional paid-in capital	667,727	661,895
Accumulated other comprehensive loss	(11,096)	(33,956)
Retained earnings	959,845	927,706
Treasury stock, at cost	<u>(197,246)</u>	<u>(197,246)</u>
Total shareholders' equity	1,419,851	1,359,019
Noncontrolling interest	<u>1,558</u>	<u>3,546</u>
Total equity	<u>1,421,409</u>	<u>1,362,565</u>
Total liabilities and equity	<u>\$ 7,144,471</u>	<u>\$ 6,921,375</u>

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

	Three Months Ended	
	<u>03/31/2010</u>	<u>03/31/2009</u>
Operating activities:		
Net income	\$ 37,663	\$ 24,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	94,640	99,523
Net change in reinsurance receivables and payables	(7,428)	(7,086)
Amortization, principally the cost of business acquired and investments	15,413	13,543
Deferred costs of business acquired	(30,901)	(34,392)
Net realized losses on investments	15,106	21,999
Net change in federal income tax asset/liability	9,755	4,114
Other	<u>(32,743)</u>	<u>(30,969)</u>
Net cash provided by operating activities	<u>101,505</u>	<u>91,216</u>
Investing activities:		
Purchases of investments and loans made	(435,672)	(207,901)
Sales of investments and receipts from repayment of loans	165,711	77,696
Maturities of investments	139,323	261,307
Net change in short-term investments	(13,510)	(207,968)
Change in deposit in separate account	-	4,845
Net cash used by investing activities	<u>(144,148)</u>	<u>(72,021)</u>
Financing activities:		
Deposits to policyholder accounts	40,332	61,681
Withdrawals from policyholder accounts	(26,138)	(70,938)
Proceeds from issuance of 2020 Senior Notes	250,000	-
Borrowings under revolving credit facility	-	17,000
Principal payments under revolving credit facility	(222,000)	(2,000)
Cash dividends paid on common stock	(5,524)	(5,302)
Other financing activities	<u>2,292</u>	<u>816</u>
Net cash provided by financing activities	<u>38,962</u>	<u>1,257</u>
(Decrease) increase in cash	(3,681)	20,452
Cash at beginning of period	<u>65,464</u>	<u>63,837</u>
Cash at end of period	<u>\$ 61,783</u>	<u>\$ 84,289</u>

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

	Group Employee Benefit Products	Asset Accumulation Products <sup>(A)</sup>	Total
Balance as of December 31, 2005	\$ 187,541	\$ 60,597	\$ 248,138
Deferred	92,449	7,811	100,260
Amortized	(70,560)	(10,208)	(80,768)
Equity adjustment	-	290	290
Balance as of December 31, 2006	209,430	58,490	267,920
Cumulative effect adjustment <sup>(B)</sup>	(127,004)	-	(127,004)
Balance as of January 1, 2007	82,426	58,490	140,916
Deferred	101,284	7,290	108,574
Amortized	(72,725)	(8,497)	(81,222)
Equity adjustment	-	6,162	6,162
Balance as of December 31, 2007	110,985	63,445	174,430
Deferred	110,675	13,854	124,529
Amortized	(81,961)	1,550	(80,411)
Equity adjustment	-	46,229	46,229
Balance as of December 31, 2008	139,699	125,078	264,777
Deferred	107,427	15,725	123,152
Amortized	(90,792)	(10,614)	(101,406)
Equity adjustment	-	(36,212)	(36,212)
Balance as of December 31, 2009	156,334	93,977	250,311
Deferred	27,780	3,121	30,901
Amortized	(22,428)	(3,142)	(25,570)
Equity adjustment	-	(17,205)	(17,205)
Balance as of March 31, 2010	<u>\$ 161,686</u>	<u>\$ 76,751</u>	<u>\$ 238,437</u>

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

<sup>(B)</sup> The cumulative effect adjustment represents the decrease in cost of business acquired as a result of the Company's adoption of certain provision of Accounting Standards Codification Subtopic 944-30, "Financial Services - Insurance - Acquisition Costs." This adjustment also resulted in a corresponding decrease to beginning retained earnings of \$82.6 million, net of the related tax benefit of \$44.4 million.

**DELPHI FINANCIAL GROUP, INC.**  
**Certain Investment Portfolio Data**  
**As of March 31, 2010**  
**(Dollars in Thousands)**

Sub-Prime Residential Mortgage Backed Securities - Carrying Value								
Vintage	B and						Total	% of Total
	Aaa	Aa	A	Baa	Ba	Below <sup>(A)</sup>		
2001 & Prior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2002	-	-	-	-	-	-	-	0%
2003	9,281	-	-	-	-	-	9,281	16%
2004	13,940	-	828	3,925	677	52	19,422	34%
2005	8,150	15,911	471	-	-	-	24,532	43%
2006	-	77	-	3,624	-	59	3,760	7%
2007	-	-	-	-	-	270	270	0%
2008	-	-	-	-	-	-	-	0%
2009	-	-	-	-	-	-	-	0%
2010	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>\$ 31,371</b>	<b>\$ 15,988</b>	<b>\$ 1,299</b>	<b>\$ 7,549</b>	<b>\$ 677</b>	<b>\$ 381</b>	<b>\$ 57,265</b>	<b>100%</b>
% of Total	55%	28%	2%	13%	1%	1%	100%	

Alt-A Residential Mortgage Backed Securities - Carrying Value								
Vintage	B and						Total	% of Total
	Aaa	Aa	A	Baa	Ba	Below <sup>(B)</sup>		
2001 & Prior	\$ 2,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,033	1%
2002	395	-	-	-	-	-	395	0%
2003	44,414	-	-	-	-	3,795	48,209	15%
2004	15,913	930	138	852	16	1,968	19,817	6%
2005	2,663	15,951	-	1,090	114	37,932	57,750	17%
2006	11,859	32	6,950	9,168	1,225	67,170	96,404	29%
2007	-	-	-	9	-	106,542	106,551	32%
2008	-	-	-	-	-	-	-	0%
2009	-	-	-	-	-	-	-	0%
2010	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>\$ 77,277</b>	<b>\$ 16,913</b>	<b>\$ 7,088</b>	<b>\$ 11,119</b>	<b>\$ 1,355</b>	<b>\$ 217,407</b>	<b>\$ 331,159</b>	<b>100%</b>
% of Total	24%	5%	2%	3%	0%	66%	100%	

Commercial Mortgage Backed Securities - Carrying Value								
Vintage	B and						Total	% of Total
	Aaa	Aa	A	Baa	Ba	Below		
2001 & Prior	\$ 3,734	\$ 4,678	\$ 3,960	\$ -	\$ -	\$ -	\$ 12,372	47%
2002	3,612	516	-	2,184	2,916	-	9,228	35%
2003	-	-	-	-	-	-	-	0%
2004	-	-	-	-	-	-	-	0%
2005	-	-	-	-	-	115	115	0%
2006	-	-	-	-	-	129	129	0%
2007	-	-	-	-	928	1,075	2,003	8%
2008	1,553	-	-	652	-	244	2,449	9%
2009	-	-	-	-	-	-	-	0%
2010	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>\$ 8,899</b>	<b>\$ 5,194</b>	<b>\$ 3,960</b>	<b>\$ 2,836</b>	<b>\$ 3,844</b>	<b>\$ 1,563</b>	<b>\$ 26,296</b>	<b>100%</b>
% of Total	34%	20%	15%	11%	15%	5%	100%	

Municipal Securities - Underlying Issuer Rating - Carrying Value								
	Ba and						Total	% of Total
	Aaa	Aa	A	Baa	Below	Not Rated <sup>(C)</sup>		
Insured	\$ 408,767	\$ 390,495	\$ 291,698	\$ 36,487	\$ 8,669	\$ 84,689	\$ 1,220,805	64%
Uninsured	135,284	280,744	216,928	42,096	1,554	-	676,606	36%
<b>Total</b>	<b>\$ 544,051</b>	<b>\$ 671,239</b>	<b>\$ 508,626</b>	<b>\$ 78,583</b>	<b>\$ 10,223</b>	<b>\$ 84,689</b>	<b>\$ 1,897,411</b>	<b>100%</b>
% of Total	29%	35%	27%	4%	1%	4%	100%	

<sup>(A)</sup> Includes \$310 of securities with an NAIC designation of 1 or 2.

<sup>(B)</sup> Includes \$190,178 of securities with an NAIC designation of 1 or 2.

<sup>(C)</sup> Includes \$61,930 of securities to which an investment grade rating has been assigned by an NRSRO but whose issuers are not rated by any NRSRO.

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

<b>Income Statement Data</b>	Three Months Ended		Year Ended		
	03/31/2010	03/31/2009	12/31/2009	12/31/2008	12/31/2007
<b>Operating earnings</b>	\$ 47,482	\$ 38,783	\$ 195,007	\$ 94,387	\$ 167,170
Net realized investment losses <sup>(A)</sup>	(9,819)	(14,299)	(95,903)	(57,315)	(1,233)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries <sup>(B)</sup>	-	-	-	(389)	(1,425)
<b>Net income (GAAP measure)</b>	<u>\$ 37,663</u>	<u>\$ 24,484</u>	<u>\$ 99,104</u>	<u>\$ 36,683</u>	<u>\$ 164,512</u>
<b>Diluted results per share of common stock:</b>					
<b>Operating earnings</b>	\$ 0.86	\$ 0.81	\$ 3.76	\$ 1.93	\$ 3.24
Net realized investment losses <sup>(A)</sup>	(0.18)	(0.30)	(1.85)	(1.17)	(0.02)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries <sup>(B)</sup>	-	-	-	(0.01)	(0.03)
<b>Net income (GAAP measure)</b>	<u>\$ 0.68</u>	<u>\$ 0.51</u>	<u>\$ 1.91</u>	<u>\$ 0.75</u>	<u>\$ 3.19</u>
<b>Annualized operating return on beginning shareholders' equity</b>	14.0%	18.9%	23.8%	8.3%	15.3%
<b>Annualized net income return on beginning shareholders' equity (GAAP measure)</b>	11.1%	11.9%	12.1%	3.2%	15.1%

(A) Net of an income tax benefit of \$5.3 million, \$7.7 million, \$51.6 million, \$30.9 million and \$0.7 million, or \$0.10 per diluted share, \$0.16 per diluted share, \$1.00 per diluted share, \$0.63 per diluted share and \$0.01 per diluted share for the three months ended 03/31/2010 and 03/31/2009, and the full year ended 12/31/2009, 12/31/2008 and 12/31/2007, respectively. The tax effect is calculated using the Company's statutory tax rate of 35%.

(B) Net of an income tax benefit of \$0.2 million and \$0.8 million, or \$0.00 per diluted share and \$0.01 per diluted share for the full year ended 12/31/2008 and 12/31/2007, respectively. The tax effect is calculated using the Company's statutory tax rate of 35%.

<b>Balance Sheet Data</b>	03/31/10	12/31/2009	12/31/2008	12/31/2007
<b>Shareholders' equity, excluding accumulated other comprehensive loss</b>	\$ 1,430,947	\$ 1,392,975	\$ 1,172,289	\$ 1,183,887
Add: Accumulated other comprehensive loss	(11,096)	(33,956)	(351,710)	(42,497)
<b>Shareholders' equity (GAAP measure)</b>	<u>\$ 1,419,851</u>	<u>\$ 1,359,019</u>	<u>\$ 820,579</u>	<u>\$ 1,141,390</u>
<b>Diluted book value per share of common stock, excluding accumulated other comprehensive loss</b>	\$ 25.59	\$ 25.02	\$ 24.27	\$ 24.07
Add: Accumulated other comprehensive loss	(0.19)	(0.60)	(7.22)	(0.79)
<b>Diluted book value per share of common stock (GAAP measure)</b>	<u>\$ 25.40</u>	<u>\$ 24.42</u>	<u>\$ 17.05</u>	<u>\$ 23.28</u>
<b>Corporate debt to total capitalization ratio, excluding accumulated other comprehensive loss</b>	19.7%	18.9%	20.7%	13.6%
<b>Corporate debt to total capitalization ratio (GAAP measure)</b>	19.8%	19.3%	26.1%	14.0%