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**FINANCIAL  
SUPPLEMENT**

**SECOND QUARTER 2008**

# DELPHI FINANCIAL GROUP, INC.

## Financial Supplement

### Second Quarter 2008

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

This report is for informational purposes only. It should be read in conjunction with documents filed by Delphi with the Securities and Exchange Commission, including the most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and earnings press releases furnished on Form 8-K. The interim financial statements and related data included herein are unaudited. This report is dated July 22, 2008. Information contained in this report may not be accurate after such date. Delphi does not undertake a duty to update this information after such date.

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

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

For reconciliations of the respective operating earnings amounts to the corresponding net income amounts for the indicated periods, see the table captioned "Non-GAAP Financial Measures – Reconciliation to GAAP" which follows. All per share amounts are on a diluted basis.

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

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

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

**DELPHI FINANCIAL GROUP, INC.**  
**Financial Supplement**  
**Second Quarter 2008**

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

<u>For period ended:</u>	<u>Three Months Ended</u>		<u>Six Months Ended</u>		<u>Year Ended</u>	
	<u>06/30/2008</u>	<u>06/30/2007</u>	<u>06/30/2008</u>	<u>06/30/2007</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Operating earnings <sup>(A)</sup>	\$ 39,549	\$ 42,305	\$ 64,877	\$ 83,172	\$ 167,170	\$ 145,561
Per common share, assuming dilution <sup>(A)</sup>	0.81	0.82	1.31	1.61	3.24	2.86
Weighted average shares outstanding (diluted)	49,000	51,734	49,576	51,601	51,579	50,939
Annualized operating return on beginning equity <sup>(A)</sup>	14.7%	14.8%	11.4%	15.2%	15.3%	14.1%
 <u>At period ended:</u>			<u>06/30/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	
Assets			\$ 5,891,753	\$ 6,094,810	\$ 5,670,475	
Corporate debt <sup>(B)</sup>			272,750	217,750	263,750	
Junior subordinated debentures			175,000	175,000	-	
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries			20,619	20,619	59,762	
Shareholders' equity			1,032,595	1,141,390	1,174,808	
Diluted book value per share of common stock			\$ 21.36	\$ 23.28	\$ 23.70	
Diluted book value per share of common stock before accumulated other comprehensive (loss) income <sup>(A)</sup>			24.44	24.07	23.35	
Corporate debt to total capitalization ratio <sup>(C)</sup>			18.2%	14.0%	17.6%	
Corporate debt to total capitalization ratio before accumulated other comprehensive (loss) income <sup>(A) (C)</sup>			16.5%	13.6%	17.8%	

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

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

<sup>(C)</sup> 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)

	06/30/2008	03/31/2008	12/31/2007	09/30/2007	06/30/2007	03/31/2007	12/31/2006	09/30/2006
<b>Premium and fee income:</b>								
Group employee benefit products	\$ 330,585	\$ 332,525	\$ 321,704	\$ 316,821	\$ 315,323	\$ 313,744	\$ 308,952	\$ 287,161
Asset accumulation products	421	591	626	623	596	821	793	1,018
Other	9,768	9,174	9,303	8,500	8,418	7,682	8,414	7,011
Total premium and fee income	<u>340,774</u>	<u>342,290</u>	<u>331,633</u>	<u>325,944</u>	<u>324,337</u>	<u>322,247</u>	<u>318,159</u>	<u>295,190</u>
<b>Net investment income:</b>								
Group employee benefit products	36,364	15,556	39,430	41,605	40,333	42,333	40,619	38,582
Asset accumulation products	22,963	15,925	25,994	19,321	26,290	26,872	26,779	25,297
Other	1,423	856	1,945	1,842	2,484	2,098	2,499	2,280
Total investment income	<u>60,750</u>	<u>32,337</u>	<u>67,369</u>	<u>62,768</u>	<u>69,107</u>	<u>71,303</u>	<u>69,897</u>	<u>66,159</u>
<b>Benefits and expenses:</b>								
Group employee benefit products	303,607	303,631	296,955	291,192	291,341	292,318	289,069	267,923
Asset accumulation products	16,685	12,465	19,221	12,998	18,031	19,382	18,806	18,181
Other	18,146	16,709	17,179	17,967	16,925	17,063	17,377	16,532
Total benefits and expenses	<u>338,438</u>	<u>332,805</u>	<u>333,355</u>	<u>322,157</u>	<u>326,297</u>	<u>328,763</u>	<u>325,252</u>	<u>302,636</u>
<b>Operating income:</b>								
Group employee benefit products	63,342	44,450	64,179	67,234	64,315	63,759	60,502	57,820
Asset accumulation products	6,699	4,051	7,399	6,946	8,855	8,311	8,766	8,134
Other	(6,955)	(6,679)	(5,931)	(7,625)	(6,023)	(7,283)	(6,464)	(7,241)
	63,086	41,822	65,647	66,555	67,147	64,787	62,804	58,713
Net realized investment (losses) gains	(19,499)	(6,436)	(972)	(1,480)	937	(382)	1,022	(335)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	-	-	-	-	(2,192)	-	-
Operating income	<u>\$ 43,587</u>	<u>\$ 35,386</u>	<u>\$ 64,675</u>	<u>\$ 65,075</u>	<u>\$ 68,084</u>	<u>\$ 62,213</u>	<u>\$ 63,826</u>	<u>\$ 58,378</u>

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

	Three Months Ended		Six Months Ended		Year Ended	
	06/30/2008	06/30/2007	06/30/2008	06/30/2007	12/31/2007	12/31/2006
Revenue:						
Premium income:						
Core products:						
Disability, principally long-term	\$ 141,145	\$ 134,262	\$ 282,793	\$ 259,144	\$ 527,500	\$ 458,130
Life	101,503	91,618	200,961	179,702	364,771	316,360
Excess workers' compensation	64,076	68,706	130,728	141,120	276,252	260,031
Travel accident, dental and other	17,318	15,539	33,826	29,744	59,411	47,150
	<u>324,042</u>	<u>310,125</u>	<u>648,308</u>	<u>609,710</u>	<u>1,227,934</u>	<u>1,081,671</u>
Non-core products	6,543	5,198	14,802	19,357	39,658	42,455
	<u>330,585</u>	<u>315,323</u>	<u>663,110</u>	<u>629,067</u>	<u>1,267,592</u>	<u>1,124,126</u>
Net investment income	36,364	40,333	51,920	82,666	163,701	149,347
	<u>366,949</u>	<u>355,656</u>	<u>715,030</u>	<u>711,733</u>	<u>1,431,293</u>	<u>1,273,473</u>
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	230,753	222,271	460,954	446,498	890,918	793,303
Commissions	21,414	21,058	43,013	41,024	85,861	75,091
Amortization of cost of business acquired	19,033	17,179	37,867	34,086	72,725	70,560
Other operating expenses	32,407	30,833	65,404	62,051	122,302	109,110
	<u>303,607</u>	<u>291,341</u>	<u>607,238</u>	<u>583,659</u>	<u>1,171,806</u>	<u>1,048,064</u>
Operating income	<u>\$ 63,342</u>	<u>\$ 64,315</u>	<u>\$ 107,792</u>	<u>\$ 128,074</u>	<u>\$ 259,487</u>	<u>\$ 225,409</u>
Production (new annualized gross premium):						
Core products:						
Disability, principally long-term	\$ 23,943	\$ 31,488	\$ 52,055	\$ 66,588	\$ 131,818	\$ 114,622
Life	17,073	21,507	39,771	40,217	87,210	88,578
Excess workers' compensation <sup>(A)</sup>	3,669	4,995	7,973	19,505	30,092	57,217
Travel accident, dental and other	9,565	10,213	19,870	21,440	43,662	19,699
	<u>54,250</u>	<u>68,203</u>	<u>119,669</u>	<u>147,750</u>	<u>292,782</u>	<u>280,116</u>
Non-core products	4,039	4,387	10,905	8,640	18,687	31,319
Total production	<u>\$ 58,289</u>	<u>\$ 72,590</u>	<u>\$ 130,574</u>	<u>\$ 156,390</u>	<u>\$ 311,469</u>	<u>\$ 311,435</u>
Loss ratio (percent of total premium)	69.8%	70.5%	69.5%	71.0%	70.3%	70.6%
Expense ratio (percent of total premium)	22.0%	21.9%	22.1%	21.8%	22.1%	22.6%
Combined ratio (loss and expense ratio)	91.8%	92.4%	91.6%	92.8%	92.4%	93.2%
Persistency ratio:						
Disability, principally long-term					84.9%	83.7%
Life					84.4%	84.2%
Travel accident and other					87.0%	82.9%
Renewal ratio:						
Excess workers' compensation					87.6%	88.3%
<sup>(A)</sup> Total excess workers' compensation production per above, less production from ERC renewal rights agreement	\$ 3,669	\$ 4,995	\$ 7,973	\$ 19,505	\$ 30,092	\$ 57,217
	-	-	-	3,383	3,383	25,830
Total production excluding ERC renewal rights agreement	<u>\$ 3,669</u>	<u>\$ 4,995</u>	<u>\$ 7,973</u>	<u>\$ 16,122</u>	<u>\$ 26,709</u>	<u>\$ 31,387</u>

**DELPHI FINANCIAL GROUP, INC.**  
**Consolidated Statements of Income**  
**Asset Accumulation Products**

	Three Months Ended		Six Months Ended		Year Ended	
	06/30/2008	06/30/2007	06/30/2008	06/30/2007	12/31/2007	12/31/2006
<b>Revenue:</b>						
Premium and fee income	\$ 421	\$ 596	\$ 1,012	\$ 1,417	\$ 2,666	\$ 3,438
Net investment income	22,963	26,290	38,888	53,162	98,477	97,852
	<u>23,384</u>	<u>26,886</u>	<u>39,900</u>	<u>54,579</u>	<u>101,143</u>	<u>101,290</u>
<b>Benefits and expenses:</b>						
Benefits, claims and interest credited to policyholders	13,395	13,052	25,846	26,440	52,814	53,349
Commissions	164	115	344	201	494	517
Amortization of cost of business acquired	1,189	2,880	(1,222)	6,865	8,497	10,208
Other operating expenses	1,937	1,984	4,182	3,907	7,827	6,965
	<u>16,685</u>	<u>18,031</u>	<u>29,150</u>	<u>37,413</u>	<u>69,632</u>	<u>71,039</u>
Operating income	<u>\$ 6,699</u>	<u>\$ 8,855</u>	<u>\$ 10,750</u>	<u>\$ 17,166</u>	<u>\$ 31,511</u>	<u>\$ 30,251</u>
Sales	\$ 99,586	\$ 31,751	\$ 151,830	\$ 51,213	\$ 107,145	\$ 90,741
Funding agreements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Funds under management (at end of period)			\$ 1,160,901	\$ 1,066,746	\$ 1,053,221	\$ 1,089,051

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

	Three Months Ended		Six Months Ended	
	06/30/2008	06/30/2007	06/30/2008	06/30/2007
Revenue:				
Premium and fee income	\$ 340,774	\$ 324,337	\$ 683,064	\$ 646,584
Net investment income	60,750	69,107	93,087	140,410
Net realized investment (losses) gains	(19,499)	937	(25,935)	555
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	-	-	(2,192)
	382,025	394,381	750,216	785,357
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	243,755	235,483	486,667	473,695
Commissions and expenses	94,683	90,814	184,576	181,365
	338,438	326,297	671,243	655,060
Operating income	43,587	68,084	78,973	130,297
Interest expense:				
Corporate debt	4,289	4,591	8,513	9,645
Junior subordinated debentures	3,246	1,406	6,486	1,406
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	353	479	757	1,763
Income tax expense	8,824	18,694	15,198	35,375
Net income	\$ 26,875	\$ 42,914	\$ 48,019	\$ 82,108
Basic results per share of common stock:				
Net income	\$ 0.56	\$ 0.85	\$ 0.99	\$ 1.63
Weighted average shares outstanding	48,146	50,441	48,600	50,309
Diluted results per share of common stock:				
Net income	\$ 0.55	\$ 0.83	\$ 0.97	\$ 1.59
Weighted average shares outstanding	49,000	51,734	49,576	51,601
Dividends paid per share of common stock	\$ 0.10	\$ 0.09	\$ 0.19	\$ 0.17

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

	<u>06/30/2008</u>	<u>12/31/2007</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 3,811,763	\$ 3,691,694
Short-term investments	325,716	286,033
Other investments	<u>631,902</u>	<u>1,010,141</u>
	4,769,381	4,987,868
Cash	43,544	51,240
Cost of business acquired	209,877	174,430
Reinsurance receivables	381,259	402,785
Goodwill	93,929	93,929
Other assets	275,171	260,602
Assets held in separate account	<u>118,592</u>	<u>123,956</u>
Total assets	<u>\$ 5,891,753</u>	<u>\$ 6,094,810</u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$ 2,459,146	\$ 2,353,375
Policyholder account balances	1,190,604	1,083,121
Corporate debt	272,750	217,750
Junior subordinated debentures	175,000	175,000
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	20,619	20,619
Other liabilities and policyholder funds	622,447	979,599
Liabilities related to separate account	<u>118,592</u>	<u>123,956</u>
Total liabilities	<u>4,859,158</u>	<u>4,953,420</u>
Shareholders' equity:		
Class A Common Stock	489	487
Class B Common Stock	59	59
Additional paid-in capital	518,109	509,742
Accumulated other comprehensive loss	(155,929)	(42,497)
Retained earnings	867,113	828,116
Treasury stock, at cost	<u>(197,246)</u>	<u>(154,517)</u>
Total shareholders' equity	<u>1,032,595</u>	<u>1,141,390</u>
Total liabilities and shareholders' equity	<u>\$ 5,891,753</u>	<u>\$ 6,094,810</u>

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

	Six Months Ended	
	06/30/2008	06/30/2007
Operating activities:		
Net income	\$ 48,019	\$ 82,108
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	108,256	153,073
Net change in reinsurance receivables and payables	16,881	(11,492)
Amortization, principally the cost of business acquired and investments	33,010	40,549
Deferred costs of business acquired	(60,481)	(53,659)
Net realized losses (gains) on investments	25,935	(555)
Net change in federal income tax liability	(24,913)	9,267
Other	15,866	(38,188)
Net cash provided by operating activities	162,573	181,103
Investing activities:		
Purchases of investments and loans made	(706,313)	(665,152)
Sales of investments and receipts from repayment of loans	148,589	249,879
Maturities of investments	317,518	73,720
Net change in short-term investments	(39,683)	173,647
Change in deposit in separate account	3,430	(330)
Net cash used by investing activities	(276,459)	(168,236)
Financing activities:		
Deposits to policyholder accounts	154,302	55,642
Withdrawals from policyholder accounts	(53,226)	(82,476)
Borrowings under revolving credit facility	58,000	38,000
Principal payments under revolving credit facility	(3,000)	(158,000)
Proceeds from the issuance of junior subordinated debentures	-	172,309
Redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	(37,728)
Acquisition of treasury stock	(42,729)	-
Other financing activities	(7,157)	4,566
Net cash provided (used) by financing activities	106,190	(7,687)
(Decrease) Increase in cash	(7,696)	5,180
Cash at beginning of period	51,240	48,204
Cash at end of period	\$ 43,544	\$ 53,384

**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, 2003	\$ 148,990	\$ 34,675	\$ 183,665
Deferred	74,502	9,036	83,538
Amortized	(57,155)	(4,888)	(62,043)
Equity adjustment	-	7,389	7,389
Balance as of December 31, 2004	166,337	46,212	212,549
Deferred	83,324	6,277	89,601
Amortized	(62,120)	(7,161)	(69,281)
Equity adjustment	-	15,269	15,269
Balance as of December 31, 2005	187,541	60,597	248,138
Deferred	92,449	7,811	100,260
Amortized	(70,560)	(10,208)	(80,768)
Equity adjustment	-	290	290
Balance as of December 31, 2006	209,430	58,490	267,920
Cumulative effect adjustment <sup>(B)</sup>	(127,004)	-	(127,004)
Balance as of January 1, 2007	82,426	58,490	140,916
Deferred	101,284	7,290	108,574
Amortized	(72,725)	(8,497)	(81,222)
Equity adjustment	-	6,162	6,162
Balance as of December 31, 2007	110,985	63,445	174,430
Deferred	52,832	7,649	60,481
Amortized	(37,867)	1,222	(36,645)
Equity adjustment	-	11,611	11,611
Balance as of June 30, 2008	<u>\$ 125,950</u>	<u>\$ 83,927</u>	<u>\$ 209,877</u>

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

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

**DELPHI FINANCIAL GROUP, INC.**  
**Certain Investment Portfolio Data**  
**As of June 30, 2008**  
**(Dollars in Thousands)**

Sub-Prime Residential Mortgage Backed Securities - Carrying Value								
Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ -	\$ -	\$ 690	\$ -	\$ -	\$ -	\$ 690	2%
2002	-	-	-	-	-	-	-	0%
2003	2,461	-	-	-	-	-	2,461	7%
2004	-	1,617	-	5,926	-	-	7,543	20%
2005	18,917	-	1,101	-	-	-	20,018	54%
2006	3,474	-	264	-	-	450	4,188	11%
2007	1,930	-	-	-	-	302	2,232	6%
2008	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>\$ 26,782</b>	<b>\$ 1,617</b>	<b>\$ 2,055</b>	<b>\$ 5,926</b>	<b>\$ -</b>	<b>\$ 752</b>	<b>\$ 37,132</b>	<b>100%</b>
<b>% of Total</b>	<b>72%</b>	<b>4%</b>	<b>6%</b>	<b>16%</b>	<b>0%</b>	<b>2%</b>	<b>100%</b>	

Alt-A Residential Mortgage Backed Securities - Carrying Value								
Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2002	-	-	-	-	-	-	-	0%
2003	-	-	2,558	2,889	-	343	5,790	3%
2004	-	965	1,007	2,721	-	-	4,693	3%
2005	23,454	-	-	2,497	529	-	26,480	15%
2006	66,541	-	-	-	212	78	66,831	39%
2007	66,333	-	-	-	-	1,706	68,039	40%
2008	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>\$ 156,328</b>	<b>\$ 965</b>	<b>\$ 3,565</b>	<b>\$ 8,107</b>	<b>\$ 741</b>	<b>\$ 2,127</b>	<b>\$ 171,833</b>	<b>100%</b>
<b>% of Total</b>	<b>91%</b>	<b>1%</b>	<b>2%</b>	<b>5%</b>	<b>0%</b>	<b>1%</b>	<b>100%</b>	

Commercial Mortgage Backed Securities - Carrying Value								
Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ -	\$ 6,344	\$ 6,213	\$ -	\$ -	\$ -	\$ 12,557	34%
2002	7,937	502	-	2,043	3,027	-	13,509	37%
2003	-	-	-	-	-	-	-	0%
2004	-	-	-	-	-	-	-	0%
2005	-	-	-	-	525	-	525	1%
2006	-	-	-	-	550	-	550	1%
2007	-	-	984	3,748	-	-	4,732	13%
2008	2,599	2,210	-	-	-	-	4,809	13%
<b>Total</b>	<b>\$ 10,536</b>	<b>\$ 9,056</b>	<b>\$ 7,197</b>	<b>\$ 5,791</b>	<b>\$ 4,102</b>	<b>\$ -</b>	<b>\$ 36,682</b>	<b>100%</b>
<b>% of Total</b>	<b>29%</b>	<b>25%</b>	<b>20%</b>	<b>16%</b>	<b>10%</b>	<b>0%</b>	<b>100%</b>	

Municipal Securities - Underlying Rating - Carrying Value								
	Aaa	Aa	A	Baa	Ba and Below	Not Rated	Total	% of Total
Insured	\$ 48,848	\$ 388,195	\$ 215,225	\$ 36,820	\$ 3,773	\$ 86,583	\$ 779,444	73%
Uninsured	26,132	76,683	139,034	40,321	1,648	-	283,818	27%
<b>Total</b>	<b>\$ 74,980</b>	<b>\$ 464,878</b>	<b>\$ 354,259</b>	<b>\$ 77,141</b>	<b>\$ 5,421</b>	<b>\$ 86,583</b>	<b>\$ 1,063,262</b>	<b>100%</b>
<b>% of Total</b>	<b>7%</b>	<b>44%</b>	<b>33%</b>	<b>7%</b>	<b>1%</b>	<b>8%</b>	<b>100%</b>	

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

<b><u>Income Statement Data</u></b>	Three Months Ended		Six Months Ended		Year Ended	
	06/30/2008	06/30/2007	06/30/2008	06/30/2007	12/31/2007	12/31/2006
<b>Operating earnings</b>	\$ 39,549	\$ 42,305	\$ 64,877	\$ 83,172	\$ 167,170	\$ 145,561
Net realized investment (losses) gains, net of taxes	(12,674)	609	(16,858)	361	(1,233)	(558)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	-	(1,425)	(1,425)	-
Income from continuing operations	26,875	42,914	48,019	82,108	164,512	145,003
Discontinued operations, net of taxes	-	-	-	-	-	(2,935)
<b>Net income (GAAP measure)</b>	<b>\$ 26,875</b>	<b>\$ 42,914</b>	<b>\$ 48,019</b>	<b>\$ 82,108</b>	<b>\$ 164,512</b>	<b>\$ 142,068</b>
<b>Diluted results per share of common stock:</b>						
<b>Operating earnings</b>	\$ 0.81	\$ 0.82	\$ 1.31	\$ 1.61	\$ 3.24	\$ 2.86
Net realized investment (losses) gains, net of taxes	(0.26)	0.01	(0.34)	0.01	(0.02)	(0.01)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	-	(0.03)	(0.03)	-
Income from continuing operations	0.55	0.83	0.97	1.59	3.19	2.85
Discontinued operations, net of taxes	-	-	-	-	-	(0.06)
<b>Net income (GAAP measure)</b>	<b>\$ 0.55</b>	<b>\$ 0.83</b>	<b>\$ 0.97</b>	<b>\$ 1.59</b>	<b>\$ 3.19</b>	<b>\$ 2.79</b>
<b>Annualized operating return on beginning equity</b>	14.7%	14.8%	11.4%	15.2%	15.3%	14.1%
<b>Annualized net income return on beginning equity (GAAP measure)</b>	10.0%	15.0%	8.4%	15.0%	15.1%	13.8%
<b><u>Balance Sheet Data</u></b>			06/30/2008	12/31/2007	12/31/2006	
<b>Shareholders' equity, excluding accumulated other comprehensive (loss) income</b>			\$ 1,188,524	\$ 1,183,887	\$ 1,155,675	
Add: Accumulated other comprehensive (loss) income			(155,929)	(42,497)	19,133	
<b>Shareholders' equity (GAAP measure)</b>			<b>\$ 1,032,595</b>	<b>\$ 1,141,390</b>	<b>\$ 1,174,808</b>	
<b>Diluted book value per share of common stock, excluding accumulated other comprehensive (loss) income</b>			\$ 24.44	\$ 24.07	\$ 23.35	
Add: Accumulated other comprehensive (loss) income			(3.08)	(0.79)	0.35	
<b>Diluted book value per share of common stock (GAAP measure)</b>			<b>\$ 21.36</b>	<b>\$ 23.28</b>	<b>\$ 23.70</b>	
<b>Corporate debt to total capitalization ratio, excluding accumulated other comprehensive (loss) income</b>				20.3%	14.4%	17.4%
<b>Corporate debt to total capitalization ratio (GAAP measure)</b>				16.5%	13.6%	17.8%