

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, 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.

DELPHI
Financial Group, Inc.

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**FINANCIAL
SUPPLEMENT**

SECOND QUARTER 2009

DELPHI FINANCIAL GROUP, INC.
Financial Supplement
Second Quarter 2009

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.

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 28, 2009. Information contained in this report may not be accurate after such date. Delphi does not undertake a duty to update this information after such date.

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

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

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

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

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

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

	Three Months Ended		Six Months Ended		Year Ended	
	06/30/2009	06/30/2008	06/30/2009	06/30/2008	12/31/2008	12/31/2007
For period ended:						
Operating earnings ^(A)	\$ 54,864	\$ 39,549	\$ 93,647	\$ 64,877	\$ 94,387	\$ 167,170
Per common share, assuming dilution ^(A)	1.09	0.81	1.90	1.31	1.93	3.24
Weighted average shares outstanding (diluted)	50,343	49,000	49,233	49,576	48,963	51,579
Annualized operating return on beginning equity ^(A)	25.5%	14.7%	22.8%	11.4%	8.3%	15.3%
At period ended:						
Assets						
Corporate debt ^(B)				\$ 6,462,000	\$ 5,953,873	\$ 6,094,810
Junior subordinated debentures				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
Shareholders' equity				-	-	20,619
Diluted book value per share of common stock				1,052,133	820,579	1,141,390
Diluted book value per share of common stock before accumulated other comprehensive (loss) income ^(A)				\$ 20.35	\$ 17.05	\$ 23.28
Corporate debt to total capitalization ratio ^(C)				24.71	24.27	24.07
Corporate debt to total capitalization ratio before accumulated other comprehensive (loss) income ^{(A)(C)}				23.0%	26.1%	14.0%
				20.0%	20.7%	13.6%

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

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

^(C) 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)

	06/30/2009	03/31/2009	12/31/2008	09/30/2008	06/30/2008	03/31/2008	12/31/2007	09/30/2007
Premium and fee income:								
Group employee benefit products	\$ 341,396	\$ 346,125	\$ 345,307	\$ 334,606	\$ 330,585	\$ 332,525	\$ 321,704	\$ 316,821
Asset accumulation products	368	519	461	445	421	591	626	623
Other	10,681	11,077	11,030	9,977	9,768	9,174	9,303	8,500
Total premium and fee income	<u>352,445</u>	<u>357,721</u>	<u>356,798</u>	<u>345,028</u>	<u>340,774</u>	<u>342,290</u>	<u>331,633</u>	<u>325,944</u>
Net investment income:								
Group employee benefit products	55,140	35,396	11,938	7,372	36,364	15,556	39,430	41,605
Asset accumulation products	35,096	26,982	8,962	10,073	22,963	15,925	25,994	19,321
Other	1,787	477	1,456	1,962	1,423	856	1,945	1,842
Total investment income	<u>92,023</u>	<u>62,855</u>	<u>22,356</u>	<u>19,407</u>	<u>60,750</u>	<u>32,337</u>	<u>67,369</u>	<u>62,768</u>
Benefits and expenses:								
Group employee benefit products	317,765	322,686	321,943	308,999	303,607	303,631	296,955	291,192
Asset accumulation products	21,797	19,463	17,057	16,764	16,685	12,465	19,221	12,998
Other	21,507	19,583	12,815	18,103	18,146	16,709	17,179	17,967
Total benefits and expenses	<u>361,069</u>	<u>361,732</u>	<u>351,815</u>	<u>343,866</u>	<u>338,438</u>	<u>332,805</u>	<u>333,355</u>	<u>322,157</u>
Operating income (loss):								
Group employee benefit products	78,771	58,835	35,302	32,979	63,342	44,450	64,179	67,234
Asset accumulation products	13,667	8,038	(7,634)	(6,246)	6,699	4,051	7,399	6,946
Other	(9,039)	(8,029)	(329)	(6,164)	(6,955)	(6,679)	(5,931)	(7,625)
	<u>83,399</u>	<u>58,844</u>	<u>27,339</u>	<u>20,569</u>	<u>63,086</u>	<u>41,822</u>	<u>65,647</u>	<u>66,555</u>
Net realized investment losses	(27,471)	(21,999)	(28,502)	(33,740)	(19,499)	(6,436)	(972)	(1,480)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries								
Operating income (loss)	<u>\$ 55,928</u>	<u>\$ 36,845</u>	<u>\$ (1,163)</u>	<u>\$ (598)</u>	<u>\$ 43,587</u>	<u>\$ 35,386</u>	<u>\$ 64,675</u>	<u>\$ 65,075</u>

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

	Three Months Ended		Six Months Ended		Year Ended	
	06/30/2009	06/30/2008	06/30/2009	06/30/2008	12/31/2008	12/31/2007
Revenue:						
Premium income:						
Core products:						
Disability, principally long-term	\$ 140,777	\$ 141,145	\$ 287,170	\$ 282,793	\$ 572,630	\$ 527,500
Life	100,653	101,503	204,310	200,961	402,928	364,771
Excess workers' compensation	69,008	64,076	136,820	130,728	264,244	276,252
Travel accident, dental and other	20,457	17,318	40,212	33,826	70,205	59,411
	<u>330,895</u>	<u>324,042</u>	<u>668,512</u>	<u>648,308</u>	<u>1,310,007</u>	<u>1,227,934</u>
Non-core products	10,501	6,543	19,009	14,802	33,016	39,658
	<u>341,396</u>	<u>330,585</u>	<u>687,521</u>	<u>663,110</u>	<u>1,343,023</u>	<u>1,267,592</u>
Net investment income	55,140	36,364	90,536	51,920	71,230	163,701
	<u>396,536</u>	<u>366,949</u>	<u>778,057</u>	<u>715,030</u>	<u>1,414,253</u>	<u>1,431,293</u>
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	235,700	230,753	475,909	460,954	933,215	890,918
Commissions	23,296	21,414	46,919	43,013	90,642	85,861
Amortization of cost of business acquired	22,832	19,033	43,997	37,867	81,961	72,725
Other operating expenses	35,937	32,407	73,626	65,404	132,362	122,302
	<u>317,765</u>	<u>303,607</u>	<u>640,451</u>	<u>607,238</u>	<u>1,238,180</u>	<u>1,171,806</u>
Operating income	<u>\$ 78,771</u>	<u>\$ 63,342</u>	<u>\$ 137,606</u>	<u>\$ 107,792</u>	<u>\$ 176,073</u>	<u>\$ 259,487</u>
Production (new annualized gross premium):						
Core products:						
Disability, principally long-term	\$ 22,359	\$ 23,943	\$ 40,561	\$ 52,055	\$ 121,507	\$ 131,818
Life	11,346	17,073	23,145	39,771	94,681	87,210
Excess workers' compensation ^(A)	10,204	3,669	25,329	7,973	25,832	30,092
Travel accident, dental and other	10,094	9,565	24,567	19,870	46,945	43,662
	<u>54,003</u>	<u>54,250</u>	<u>113,602</u>	<u>119,669</u>	<u>288,965</u>	<u>292,782</u>
Non-core products	4,196	4,039	15,736	10,905	20,912	18,687
Total production	<u>\$ 58,199</u>	<u>\$ 58,289</u>	<u>\$ 129,338</u>	<u>\$ 130,574</u>	<u>\$ 309,877</u>	<u>\$ 311,469</u>
Loss ratio (percent of total premium)	69.0%	69.8%	69.2%	69.5%	69.5%	70.3%
Expense ratio (percent of total premium)	24.1%	22.0%	24.0%	22.1%	22.7%	22.1%
Combined ratio (loss and expense ratio)	93.1%	91.8%	93.2%	91.6%	92.2%	92.4%
Persistency ratio:						
Disability, principally long-term					83.2%	84.9%
Life					84.6%	84.4%
Travel accident and other					87.8%	87.0%
Renewal ratio:						
Excess workers' compensation					93.1%	87.6%
^(A) Total excess workers' compensation production per above, less production from ERC renewal rights agreement	\$ 10,204	\$ 3,669	\$ 25,329	\$ 7,973	\$ 25,832	\$ 30,092
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,383</u>
Total production excluding ERC renewal rights agreement	<u>\$ 10,204</u>	<u>\$ 3,669</u>	<u>\$ 25,329</u>	<u>\$ 7,973</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		Six Months Ended		Year Ended	
	06/30/2009	06/30/2008	06/30/2009	06/30/2008	12/31/2008	12/31/2007
Revenue:						
Premium and fee income	\$ 368	\$ 421	\$ 887	\$ 1,012	\$ 1,918	\$ 2,666
Net investment income	35,096	22,963	62,078	38,888	57,923	98,477
	<u>35,464</u>	<u>23,384</u>	<u>62,965</u>	<u>39,900</u>	<u>59,841</u>	<u>101,143</u>
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	15,757	13,395	30,937	25,846	55,285	52,814
Commissions	402	164	456	344	809	494
Amortization of cost of business acquired	3,352	1,189	5,480	(1,222)	(1,550)	8,497
Other operating expenses	2,286	1,937	4,387	4,182	8,427	7,827
	<u>21,797</u>	<u>16,685</u>	<u>41,260</u>	<u>29,150</u>	<u>62,971</u>	<u>69,632</u>
Operating income (loss)	<u>\$ 13,667</u>	<u>\$ 6,699</u>	<u>\$ 21,705</u>	<u>\$ 10,750</u>	<u>\$ (3,130)</u>	<u>\$ 31,511</u>
Sales	\$ 114,977	\$ 99,586	\$ 174,650	\$ 151,830	\$ 245,117	\$ 107,145
Funds under management (at end of period)			\$ 1,406,232	\$ 1,160,901	\$ 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		Six Months Ended	
	06/30/2009	06/30/2008	06/30/2009	06/30/2008
Revenue:				
Premium and fee income	\$ 352,445	\$ 340,774	\$ 710,166	\$ 683,064
Net investment income	92,023	60,750	154,878	93,087
Net realized investment losses:				
Total other-than-temporary impairment losses	(45,628)	(18,131)	(63,236)	(24,306)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	20,719	-	20,719	-
Net impairment losses recognized in earnings	(24,909)	(18,131)	(42,517)	(24,306)
Other net realized investment losses	(2,562)	(1,368)	(6,953)	(1,629)
	<u>(27,471)</u>	<u>(19,499)</u>	<u>(49,470)</u>	<u>(25,935)</u>
	<u>416,997</u>	<u>382,025</u>	<u>815,574</u>	<u>750,216</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	251,807	243,755	507,405	486,667
Commissions and expenses	109,262	94,683	215,396	184,576
	<u>361,069</u>	<u>338,438</u>	<u>722,801</u>	<u>671,243</u>
Operating income	55,928	43,587	92,773	78,973
Interest expense:				
Corporate debt	3,876	4,289	7,861	8,513
Junior subordinated debentures	3,241	3,246	6,481	6,486
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	353	-	757
Income tax expense	11,804	8,824	16,940	15,198
Net income	<u>\$ 37,007</u>	<u>\$ 26,875</u>	<u>\$ 61,491</u>	<u>\$ 48,019</u>
Basic results per share of common stock:				
Net income	\$ 0.74	\$ 0.56	\$ 1.25	\$ 0.99
Weighted average shares outstanding	50,148	48,146	49,091	48,600
Diluted results per share of common stock:				
Net income	\$ 0.74	\$ 0.55	\$ 1.25	\$ 0.97
Weighted average shares outstanding	50,343	49,000	49,233	49,576
Dividends paid per share of common stock	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.19

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

	<u>06/30/2009</u>	<u>12/31/2008</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 4,037,088	\$ 3,773,382
Short-term investments	626,774	401,620
Other investments	<u>542,965</u>	<u>479,921</u>
	5,206,827	4,654,923
Cash	79,194	63,837
Cost of business acquired	241,055	264,777
Reinsurance receivables	375,871	376,731
Goodwill	93,929	93,929
Other assets	364,935	409,103
Assets held in separate account	<u>100,189</u>	<u>90,573</u>
Total assets	<u>\$ 6,462,000</u>	<u>\$ 5,953,873</u>
Liabilities and Equity:		
Policy liabilities and accruals	\$ 2,705,050	\$ 2,574,050
Policyholder account balances	1,435,319	1,356,932
Corporate debt	365,750	350,750
Junior subordinated debentures	175,000	175,000
Other liabilities and policyholder funds	624,473	581,954
Liabilities related to separate account	<u>100,189</u>	<u>90,573</u>
Total liabilities	<u>5,405,781</u>	<u>5,129,259</u>
Equity:		
Class A Common Stock	522	489
Class B Common Stock	60	60
Additional paid-in capital	582,219	522,596
Accumulated other comprehensive loss	(232,753)	(351,710)
Retained earnings	899,331	846,390
Treasury stock, at cost	<u>(197,246)</u>	<u>(197,246)</u>
Total shareholders' equity	1,052,133	820,579
Noncontrolling interest	<u>4,086</u>	<u>4,035</u>
Total equity	<u>1,056,219</u>	<u>824,614</u>
Total liabilities and equity	<u>\$ 6,462,000</u>	<u>\$ 5,953,873</u>

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

	Six Months Ended	
	06/30/2009	06/30/2008
Operating activities:		
Net income	\$ 61,491	\$ 48,019
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	137,172	108,256
Net change in reinsurance receivables and payables	(6,663)	16,881
Amortization, principally the cost of business acquired and investments	24,842	33,010
Deferred costs of business acquired	(64,079)	(60,481)
Net realized losses on investments	49,470	25,935
Net change in federal income tax liability	5,228	(24,913)
Other	(15,428)	15,866
Net cash provided by operating activities	192,033	162,573
Investing activities:		
Purchases of investments and loans made	(668,972)	(706,313)
Sales of investments and receipts from repayment of loans	130,226	148,589
Maturities of investments	446,734	317,518
Net change in short-term investments	(225,154)	(39,683)
Change in deposit in separate account	4,845	3,430
Net cash used by investing activities	(312,321)	(276,459)
Financing activities:		
Deposits to policyholder accounts	180,624	154,302
Withdrawals from policyholder accounts	(102,969)	(53,226)
Borrowings under revolving credit facility	17,000	58,000
Principal payments under revolving credit facility	(2,000)	(3,000)
Proceeds from issuance of common stock	51,017	
Acquisition of treasury stock	-	(42,729)
Other financing activities	(8,027)	(7,157)
Net cash provided by financing activities	135,645	106,190
Increase (decrease) in cash	15,357	(7,696)
Cash at beginning of period	63,837	51,240
Cash at end of period	\$ 79,194	\$ 43,544

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

	Group Employee Benefit Products	Asset Accumulation Products ^(A)	Total
Balance as of December 31, 2004	\$ 166,337	\$ 46,212	\$ 212,549
Deferred	83,324	6,277	89,601
Amortized	(62,120)	(7,161)	(69,281)
Equity adjustment	-	15,269	15,269
Balance as of December 31, 2005	187,541	60,597	248,138
Deferred	92,449	7,811	100,260
Amortized	(70,560)	(10,208)	(80,768)
Equity adjustment	-	290	290
Balance as of December 31, 2006	209,430	58,490	267,920
Cumulative effect adjustment ^(B)	(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	52,667	11,412	64,079
Amortized	(43,998)	(5,480)	(49,478)
Equity adjustment	-	(38,323)	(38,323)
Balance as of June 30, 2009	<u>\$ 148,368</u>	<u>\$ 92,687</u>	<u>\$ 241,055</u>

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

^(B) 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, 2009
(Dollars in Thousands)

Sub-Prime Residential Mortgage Backed Securities - Carrying Value								
Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2002	-	-	-	-	-	-	-	0%
2003	4,789	-	-	-	-	-	4,789	10%
2004	12,462	1,370	-	5,432	-	-	19,264	40%
2005	15,842	-	383	-	-	-	16,225	33%
2006	6,417	-	-	-	-	55	6,472	13%
2007	-	-	1,787	-	-	48	1,835	4%
2008	-	-	-	-	-	-	-	0%
Total	\$ 39,510	\$ 1,370	\$ 2,170	\$ 5,432	\$ -	\$ 103	\$ 48,585	100%
% of Total	82%	3%	4%	11%	0%	0%	100%	

Alt-A Residential Mortgage Backed Securities - Carrying Value								
Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,550	1%
2002	509	-	-	-	-	-	509	0%
2003	16,634	-	-	1,314	882	3,645	22,475	8%
2004	12,659	1,485	864	2,122	397	-	17,527	6%
2005	42,417	-	-	2,659	-	5,050	50,126	18%
2006	40,244	-	1,756	20,386	2,962	32,852	98,200	35%
2007	8,483	2,464	15,929	1,113	14,319	46,792	89,100	32%
2008	-	-	-	-	-	-	-	0%
Total	\$ 123,496	\$ 3,949	\$ 18,549	\$ 27,594	\$ 18,560	\$ 88,339	\$ 280,487	100%
% of Total	44%	1%	7%	10%	7%	31%	100%	

Commercial Mortgage Backed Securities - Carrying Value								
Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ 3,303	\$ 2,083	\$ 2,851	\$ -	\$ -	\$ -	\$ 8,237	43%
2002	3,155	330	-	951	1,338	-	5,774	31%
2003	-	-	-	-	-	-	-	0%
2004	-	-	-	-	-	-	-	0%
2005	-	-	-	-	162	-	162	1%
2006	-	-	-	-	151	43	194	1%
2007	-	-	329	-	1,067	66	1,462	8%
2008	2,004	903	-	-	-	-	2,907	16%
Total	\$ 8,462	\$ 3,316	\$ 3,180	\$ 951	\$ 2,718	\$ 109	\$ 18,736	100%
% of Total	44%	18%	17%	5%	15%	1%	100%	

Municipal Securities - Underlying Rating - Carrying Value								
	Aaa	Aa	A	Baa	Ba and Below	Not Rated	Total	% of Total
Insured	\$ 26,038	\$ 388,192	\$ 223,862	\$ 34,659	\$ 5,929	\$ 357,267	\$ 1,035,947	73%
Uninsured	67,988	126,745	147,938	36,924	663	-	380,258	27%
Total	\$ 94,026	\$ 514,937	\$ 371,800	\$ 71,583	\$ 6,592	\$ 357,267	\$ 1,416,205	100%
% of Total	7%	37%	26%	5%	0%	25%	100%	

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

<u>Income Statement Data</u>	Three Months Ended		Six Months Ended		Year Ended	
	06/30/2009	06/30/2008	06/30/2009	06/30/2008	12/31/2008	12/31/2007
Operating earnings	\$ 54,864	\$ 39,549	\$ 93,647	\$ 64,877	\$ 94,387	\$ 167,170
Net realized investment losses, net of taxes	(17,857)	(12,674)	(32,156)	(16,858)	(57,315)	(1,233)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	-	-	(389)	(1,425)
Net income (GAAP measure)	\$ 37,007	\$ 26,875	\$ 61,491	\$ 48,019	\$ 36,683	\$ 164,512
Diluted results per share of common stock:						
Operating earnings	\$ 1.09	\$ 0.81	\$ 1.90	\$ 1.31	\$ 1.93	\$ 3.24
Net realized investment losses, net of taxes	(0.35)	(0.26)	(0.65)	(0.34)	(1.17)	(0.02)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	-	-	(0.01)	(0.03)
Net income (GAAP measure)	\$ 0.74	\$ 0.55	\$ 1.25	\$ 0.97	\$ 0.75	\$ 3.19
Annualized operating return on beginning equity	25.5%	14.7%	22.8%	11.4%	8.3%	15.3%
Annualized net income return on beginning equity (GAAP measure)	17.2%	10.0%	15.0%	8.4%	3.2%	15.1%
 <u>Balance Sheet Data</u>				06/30/2009	12/31/2008	12/31/2007
Shareholders' equity, excluding accumulated other comprehensive (loss) income				\$ 1,284,886	\$ 1,172,289	\$ 1,183,887
Add: Accumulated other comprehensive loss				(232,753)	(351,710)	(42,497)
Shareholders' equity (GAAP measure)				\$ 1,052,133	\$ 820,579	\$ 1,141,390
Diluted book value per share of common stock, excluding accumulated other comprehensive (loss) income				\$ 24.71	\$ 24.27	\$ 24.07
Add: Accumulated other comprehensive loss				(4.36)	(7.22)	(0.79)
Diluted book value per share of common stock (GAAP measure)				\$ 20.35	\$ 17.05	\$ 23.28
Corporate debt to total capitalization ratio, excluding accumulated other comprehensive loss				20.0%	20.7%	13.6%
Corporate debt to total capitalization ratio (GAAP measure)				23.0%	26.1%	14.0%