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**FINANCIAL  
SUPPLEMENT**

**THIRD QUARTER 2007**

**DELPHI FINANCIAL GROUP, INC.**  
**Financial Supplement**  
**Third Quarter 2007**

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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 insurance coverages: long-term and short-term disability, excess workers’ compensation for self-insured employers, group 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 October 23, 2007. 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.

On January 1, 2007, Delphi 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. As a result of this adoption, Delphi recognized an after-tax charge resulting from the cumulative adjustment to its beginning retained earnings balance at January 1, 2007 of \$82.6 million, net of the related tax benefit.

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.

Annualized operating earnings 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 earnings 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.

Diluted book value per share before accumulated other comprehensive income and loss, which is a non-GAAP financial measure, is based on shareholders’ equity excluding the effect of accumulated other comprehensive income and loss. 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 (the most directly comparable GAAP measure), this non-GAAP measure is useful in analyzing Delphi’s operating trends.

Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures is presented on page 9.

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

<u>For period ended:</u>	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Year Ended</u>	
	<u>09/30/07</u>	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/06</u>	<u>12/31/06</u>	<u>12/31/05</u>
Operating earnings <sup>(A)</sup>	\$ 41,691	\$ 36,386	\$ 124,863	\$ 106,046	\$ 145,561	\$ 120,832
Per common share, assuming dilution <sup>(A)</sup>	0.81	0.71	2.42	2.09	2.86	2.40
Weighted average shares outstanding (diluted)	51,722	50,926	51,641	50,824	50,939	50,267
Interest coverage ratio on corporate debt <sup>(A)</sup>	20.0x	11.2x	15.3x	11.4x	11.6x	12.5x
Annualized operating earnings return on beginning equity <sup>(A)</sup>	14.6%	14.0%	15.2%	13.7%	14.1%	12.9%
<u>At period ended:</u>			<u>09/30/07</u>		<u>12/31/06</u>	<u>12/31/05</u>
Assets			\$ 5,826,981		\$ 5,670,475	\$ 5,276,170
Corporate debt <sup>(B)</sup>			147,750		263,750	234,750
Junior subordinated debentures			175,000		-	-
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries			20,619		59,762	59,762
Shareholders' equity			1,176,165		1,174,808	1,033,039
Diluted book value per share of common stock			\$ 23.50		\$ 23.70	\$ 20.96
Diluted book value per share of common stock before accumulated other comprehensive (loss) income <sup>(A)</sup>			23.94		23.35	20.58
Corporate debt to total capitalization ratio <sup>(C)</sup>			9.7%		17.6%	17.7%

<sup>(A)</sup> Please see page 9 for a 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)

	<u>09/30/2007</u>	<u>06/30/2007</u>	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>09/30/2006</u>	<u>06/30/2006</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Premium and fee income:								
Group employee benefit products	\$ 316,821	\$ 315,323	\$ 313,744	\$ 308,952	\$ 287,161	\$ 272,607	\$ 255,406	\$ 250,156
Asset accumulation products	623	596	821	793	1,018	797	830	748
Other	8,500	8,418	7,682	8,414	7,011	6,866	6,723	6,704
Total premium and fee income	<u>325,944</u>	<u>324,337</u>	<u>322,247</u>	<u>318,159</u>	<u>295,190</u>	<u>280,270</u>	<u>262,959</u>	<u>257,608</u>
Net investment income:								
Group employee benefit products	41,605	40,333	42,333	40,619	38,582	35,284	34,862	37,149
Asset accumulation products	19,321	26,290	26,872	26,779	25,297	23,499	22,277	21,970
Other	1,842	2,484	2,098	2,499	2,280	2,003	1,890	2,157
Total investment income	<u>62,768</u>	<u>69,107</u>	<u>71,303</u>	<u>69,897</u>	<u>66,159</u>	<u>60,786</u>	<u>59,029</u>	<u>61,276</u>
Benefits and expenses:								
Group employee benefit products	291,192	291,341	292,318	289,069	267,923	251,860	239,212	234,357
Asset accumulation products	12,998	18,031	19,382	18,806	18,181	17,913	16,139	15,727
Other	17,967	16,925	17,063	17,377	16,532	13,127	12,028	15,468
Total benefits and expenses	<u>322,157</u>	<u>326,297</u>	<u>328,763</u>	<u>325,252</u>	<u>302,636</u>	<u>282,900</u>	<u>267,379</u>	<u>265,552</u>
Operating income:								
Group employee benefit products	67,234	64,315	63,759	60,502	57,820	56,031	51,056	52,948
Asset accumulation products	6,946	8,855	8,311	8,766	8,134	6,383	6,968	6,991
Other	<u>(7,625)</u>	<u>(6,023)</u>	<u>(7,283)</u>	<u>(6,464)</u>	<u>(7,241)</u>	<u>(4,258)</u>	<u>(3,415)</u>	<u>(6,607)</u>
	66,555	67,147	64,787	62,804	58,713	58,156	54,609	53,332
Net realized investment (losses) gains	(1,480)	937	(382)	1,022	(335)	(294)	(1,251)	469
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>\$ 65,075</u>	<u>\$ 68,084</u>	<u>\$ 62,213</u>	<u>\$ 63,826</u>	<u>\$ 58,378</u>	<u>\$ 57,862</u>	<u>\$ 53,358</u>	<u>\$ 53,801</u>

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Year Ended</u>	
	<u>09/30/2007</u>	<u>09/30/2006</u>	<u>09/30/2007</u>	<u>09/30/2006</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Revenue:						
Premium income:						
Core products:						
Disability, principally long-term	\$ 132,598	\$ 119,234	\$ 391,742	\$ 338,119	\$ 458,130	\$ 392,959
Life	91,583	81,713	271,285	234,847	316,360	281,915
Excess workers' compensation	68,122	67,745	209,242	191,340	260,031	220,312
Travel accident, dental and other	14,254	11,141	43,998	33,898	47,150	41,058
	<u>306,557</u>	<u>279,833</u>	<u>916,267</u>	<u>798,204</u>	<u>1,081,671</u>	<u>936,244</u>
Non-core products	10,264	7,328	29,621	16,970	42,455	24,918
	<u>316,821</u>	<u>287,161</u>	<u>945,888</u>	<u>815,174</u>	<u>1,124,126</u>	<u>961,162</u>
Net investment income	41,605	38,582	124,271	108,728	149,347	130,713
	<u>358,426</u>	<u>325,743</u>	<u>1,070,159</u>	<u>923,902</u>	<u>1,273,473</u>	<u>1,091,875</u>
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	222,224	203,322	668,722	573,035	793,303	674,118
Commissions	20,226	18,978	61,250	53,656	75,091	67,921
Amortization of cost of business acquired	19,196	17,896	53,282	50,911	70,560	62,120
Other operating expenses	29,546	27,727	91,597	81,393	109,110	100,437
	<u>291,192</u>	<u>267,923</u>	<u>874,851</u>	<u>758,995</u>	<u>1,048,064</u>	<u>904,596</u>
Operating income	<u>\$ 67,234</u>	<u>\$ 57,820</u>	<u>\$ 195,308</u>	<u>\$ 164,907</u>	<u>\$ 225,409</u>	<u>\$ 187,279</u>
Production (new annualized gross premium):						
Core products:						
Disability, principally long-term	\$ 22,682	\$ 17,962	\$ 89,270	\$ 61,768	\$ 114,622	\$ 103,515
Life	18,046	20,737	58,263	56,614	88,578	72,814
Excess workers' compensation (A)	8,283	19,668	27,788	53,379	57,217	46,044
Travel accident, dental and other	10,283	5,679	31,723	14,601	19,699	21,728
	<u>59,294</u>	<u>64,046</u>	<u>207,044</u>	<u>186,362</u>	<u>280,116</u>	<u>244,101</u>
Non-core products	6,279	2,317	14,919	9,947	31,319	19,825
Total production	<u>\$ 65,573</u>	<u>\$ 66,363</u>	<u>\$ 221,963</u>	<u>\$ 196,309</u>	<u>\$ 311,435</u>	<u>\$ 263,926</u>
Loss ratio (percent of total premium)	70.1%	70.8%	70.7%	70.3%	70.6%	70.1%
Expense ratio (percent of total premium)	21.8%	22.5%	21.8%	22.8%	22.6%	24.0%
Combined ratio (loss and expense ratio)	91.9%	93.3%	92.5%	93.1%	93.2%	94.1%
Persistency ratio:						
Disability, principally long-term					83.7%	82.1%
Life					84.2%	80.2%
Travel accident and other					82.9%	77.2%
Renewal ratio:						
Excess workers' compensation					88.3%	90.7%
(A) Total excess workers' compensation production per above less: production from ERC renewal rights agreement	\$ 8,283	\$ 19,668	\$ 27,788	\$ 53,379	\$ 57,217	\$ 46,044
less: production from ERC renewal rights agreement	-	6,256	3,383	25,830	25,830	6,919
Total production excluding ERC renewal rights agreement	<u>\$ 8,283</u>	<u>\$ 13,412</u>	<u>\$ 24,405</u>	<u>\$ 27,549</u>	<u>\$ 31,387</u>	<u>\$ 39,125</u>

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

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/2007	09/30/2006	09/30/2007	09/30/2006	12/31/2006	12/31/2005
Revenue:						
Premium and fee income	\$ 623	\$ 1,018	\$ 2,040	\$ 2,645	\$ 3,438	\$ 3,220
Net investment income	19,321	25,297	72,483	71,073	97,852	84,577
	19,944	26,315	74,523	73,718	101,290	87,797
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	12,695	13,648	39,135	39,702	53,349	49,856
Commissions	121	171	322	374	517	631
Amortization of cost of business acquired	(1,770)	2,582	5,095	6,804	10,208	7,161
Other operating expenses	1,952	1,780	5,859	5,353	6,965	6,584
	12,998	18,181	50,411	52,233	71,039	64,232
Operating income	\$ 6,946	\$ 8,134	\$ 24,112	\$ 21,485	\$ 30,251	\$ 23,565
Sales	\$ 32,595	\$ 26,336	\$ 83,808	\$ 71,062	\$ 90,741	\$ 95,021
Funding agreements	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -
Funds under management (at end of period)			\$ 1,061,099	\$ 1,096,012	\$ 1,089,051	\$ 1,008,787

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

	Three Months Ended		Nine Months Ended	
	09/30/2007	09/30/2006	09/30/2007	09/30/2006
Revenue:				
Premium and fee income	\$ 325,944	\$ 295,190	\$ 972,528	\$ 838,419
Net investment income	62,768	66,159	203,178	185,974
Net realized investment losses	(1,480)	(335)	(925)	(1,880)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	-	(2,192)	-
	<u>387,232</u>	<u>361,014</u>	<u>1,172,589</u>	<u>1,022,513</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	234,525	217,322	708,220	612,961
Commissions and expenses	87,632	85,314	268,997	239,954
	<u>322,157</u>	<u>302,636</u>	<u>977,217</u>	<u>852,915</u>
Operating income	65,075	58,378	195,372	169,598
Interest expense:				
Corporate debt	3,328	5,250	12,973	15,029
Junior subordinated debentures	3,246	-	4,652	-
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	488	1,319	2,251	3,887
Income tax expense	17,284	15,641	52,659	45,858
Income from continuing operations	40,729	36,168	122,837	104,824
Discontinued operations, net of taxes	-	1	-	(2,932)
Net income	<u>\$ 40,729</u>	<u>\$ 36,169</u>	<u>\$ 122,837</u>	<u>\$ 101,892</u>
Basic results per share of common stock:				
Income from continuing operations	\$ 0.80	\$ 0.73	\$ 2.44	\$ 2.12
Discontinued operations	-	-	-	(0.06)
Net income	\$ 0.80	\$ 0.73	2.44	2.06
Weighted average shares outstanding	50,596	49,652	50,405	49,531
Diluted results per share of common stock:				
Income from continuing operations	\$ 0.79	\$ 0.71	\$ 2.38	\$ 2.06
Discontinued operations	-	-	-	(0.06)
Net income	\$ 0.79	\$ 0.71	2.38	2.00
Weighted average shares outstanding	51,722	50,926	51,641	50,824
Dividends paid per share of common stock	\$ 0.09	\$ 0.08	\$ 0.26	\$ 0.23

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

	<u>09/30/2007</u>	<u>12/31/2006</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 3,624,642	\$ 3,377,578
Short-term investments	261,434	400,239
Other investments	809,381	705,563
	<u>4,695,457</u>	<u>4,483,380</u>
Cash	45,684	48,204
Cost of business acquired <sup>(A)</sup>	179,777	267,920
Reinsurance receivables	412,626	410,593
Goodwill	93,929	93,929
Other assets	276,675	251,975
Assets held in separate account	122,833	114,474
Total assets	<u>\$ 5,826,981</u>	<u>\$ 5,670,475</u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$ 2,304,189	\$ 2,107,644
Policyholder account balances	1,091,011	1,119,218
Corporate debt	147,750	263,750
Junior subordinated debentures	175,000	-
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	20,619	59,762
Other liabilities and policyholder funds	789,414	830,819
Liabilities related to separate account	122,833	114,474
Total liabilities	<u>4,650,816</u>	<u>4,495,667</u>
Shareholders' equity:		
Class A Common Stock	487	480
Class B Common Stock	59	57
Additional paid-in capital	503,098	474,722
Accumulated other comprehensive (loss) income	(24,396)	19,133
Retained earnings <sup>(A)</sup>	790,817	763,386
Treasury stock, at cost	(93,900)	(82,970)
Total shareholders' equity	<u>1,176,165</u>	<u>1,174,808</u>
Total liabilities and shareholders' equity	<u>\$ 5,826,981</u>	<u>\$ 5,670,475</u>

<sup>(A)</sup> Please see footnote B on page 8 regarding the adoption of a new accounting principle.

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

	Nine Months Ended	
	<u>09/30/2007</u>	<u>09/30/2006</u>
Operating activities:		
Net income	\$ 122,837	\$ 101,892
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	219,478	197,987
Net change in reinsurance receivables and payables	(7,428)	3,523
Amortization, principally the cost of business acquired and investments	53,353	50,397
Deferred costs of business acquired	(84,042)	(77,473)
Net realized losses on investments	925	1,880
Net change in federal income tax liability	16,440	12,193
Other	<u>(41,451)</u>	<u>(38,463)</u>
Net cash provided by operating activities	<u>280,112</u>	<u>251,936</u>
Investing activities:		
Purchases of investments and loans made	(861,814)	(898,282)
Sales of investments and receipts from repayment of loans	328,176	597,301
Maturities of investments	120,486	168,327
Net change in short-term investments	138,805	(202,886)
Change in deposit in separate account	8,536	(2,234)
Net cash used by investing activities	<u>(265,811)</u>	<u>(337,774)</u>
Financing activities:		
Deposits to policyholder accounts	90,388	178,231
Withdrawals from policyholder accounts	(123,802)	(98,778)
Borrowings under revolving credit facility	42,000	31,000
Principal payments under revolving credit facility	(158,000)	(2,000)
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)	-
Other financing activities	<u>(1,988)</u>	<u>(5,612)</u>
Net cash (used) provided by financing activities	<u>(16,821)</u>	<u>102,841</u>
(Decrease) increase in cash	(2,520)	17,003
Cash at beginning of period	48,204	28,493
Cash at end of period	<u>\$ 45,684</u>	<u>\$ 45,496</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, 2001	\$ 113,554	\$ 55,340	\$ 168,894
Deferred	57,651	10,621	68,272
Amortized	(41,155)	(4,134)	(45,289)
Equity adjustment	-	(23,767)	(23,767)
Balance as of December 31, 2002	130,050	38,060	168,110
Deferred	69,270	6,796	76,066
Amortized	(50,330)	(4,664)	(54,994)
Equity adjustment	-	(5,517)	(5,517)
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	78,377	5,661	84,038
Amortized	(53,282)	(5,095)	(58,377)
Equity adjustment	-	13,200	13,200
Balance as of September 30, 2007	<u>\$ 107,521</u>	<u>\$ 72,256</u>	<u>\$ 179,777</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.**  
**Non-GAAP Financial Measures**  
**Reconciliation to GAAP**  
(Dollars In Thousands, Except Per Share Data)

<b>Income Statement Data</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>		<b>Year Ended</b>	
	<u>09/30/07</u>	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/06</u>	<u>12/31/06</u>	<u>12/31/05</u>
<b>Operating earnings</b>	\$ 41,691	\$ 36,386	\$ 124,863	\$ 106,046	\$ 145,561	\$ 120,832
Net realized investment (losses) gains, net of taxes	(962)	(218)	(601)	(1,222)	(558)	5,852
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	(1,425)	-	-	-
Income from continuing operations	40,729	36,168	122,837	104,824	145,003	126,684
Discontinued operations, net of taxes	-	1	-	(2,932)	(2,935)	(13,350)
<b>Net income (GAAP measure)</b>	<u>\$ 40,729</u>	<u>\$ 36,169</u>	<u>\$ 122,837</u>	<u>\$ 101,892</u>	<u>\$ 142,068</u>	<u>\$ 113,334</u>
<b>Diluted results per share of common stock:</b>						
<b>Operating earnings</b>	\$ 0.81	\$ 0.71	\$ 2.42	\$ 2.09	\$ 2.86	\$ 2.40
Net realized investment (losses) gains, net of taxes	(0.02)	-	(0.01)	(0.03)	(0.01)	0.12
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	(0.03)	-	-	-
Income from continuing operations	0.79	0.71	2.38	2.06	2.85	2.52
Discontinued operations, net of taxes	-	-	-	(0.06)	(0.06)	(0.27)
<b>Net income (GAAP measure)</b>	<u>\$ 0.79</u>	<u>\$ 0.71</u>	<u>\$ 2.38</u>	<u>\$ 2.00</u>	<u>\$ 2.79</u>	<u>\$ 2.25</u>
<b>Interest coverage ratio on corporate debt, excluding net realized investment (losses) gains and loss on redemption of junior subordinated deferrable interest debentures</b>	20.0x	11.2x	15.3x	11.4x	11.6x	12.5x
<b>Interest coverage ratio on corporate debt, junior subordinated debentures and junior subordinated deferrable interest debentures (GAAP measure)</b>	9.2x	8.9x	9.8x	9.0x	9.2x	10.0x
<b>Annualized operating earnings return on beginning equity</b>	14.6%	14.0%	15.2%	13.7%	14.1%	12.9%
<b>Annualized net income return on beginning equity (GAAP measure)</b>	14.3%	14.0%	15.0%	13.2%	13.8%	12.1%
<b>Balance Sheet Data</b>				<u>09/30/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
<b>Shareholders' equity, excluding accumulated other comprehensive (loss) income</b>				\$ 1,200,561	\$ 1,155,675	\$ 1,012,775
Add: Accumulated other comprehensive (loss) income				(24,396)	19,133	20,264
<b>Shareholders' equity (GAAP measure)</b>				<u>\$ 1,176,165</u>	<u>\$ 1,174,808</u>	<u>\$ 1,033,039</u>
<b>Diluted book value per share of common stock, excluding accumulated other comprehensive (loss) income</b>				\$ 23.94	\$ 23.35	\$ 20.58
Add: Accumulated other comprehensive (loss) income				(0.44)	0.35	0.38
<b>Diluted book value per share of common stock (GAAP measure)</b>				<u>\$ 23.50</u>	<u>\$ 23.70</u>	<u>\$ 20.96</u>