



**FINANCIAL
SUPPLEMENT**

THIRD QUARTER 2008

DELPHI FINANCIAL GROUP, INC.

Financial Supplement

Third Quarter 2008

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 October 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 losses on redemptions of junior subordinated deferrable interest debentures, as applicable. Delphi believes that because realized investment gains and losses, redemptions 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. Redemptions 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 (loss), 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 (loss) 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.

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Third 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>Nine Months Ended</u>		<u>Year Ended</u>	
	<u>09/30/2008</u>	<u>09/30/2007</u>	<u>09/30/2008</u>	<u>09/30/2007</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Operating earnings ^(A)	\$ 12,510	\$ 41,691	\$ 77,387	\$ 124,863	\$ 167,170	\$ 145,561
Per common share, assuming dilution ^(A)	0.26	0.81	1.57	2.42	3.24	2.86
Weighted average shares outstanding (diluted)	47,936	51,722	49,259	51,641	51,579	50,939
Annualized operating return on beginning equity ^(A)	4.8%	14.6%	9.0%	15.2%	15.3%	14.1%
<u>At period ended:</u>				<u>09/30/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Assets				\$ 5,938,909	\$ 6,094,810	\$ 5,670,475
Corporate debt ^(B)				290,750	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	59,762
Shareholders' equity				889,077	1,141,390	1,174,808
Diluted book value per share of common stock				\$ 18.69	\$ 23.28	\$ 23.70
Diluted book value per share of common stock before accumulated other comprehensive (loss) income ^(A)				24.32	24.07	23.35
Corporate debt to total capitalization ratio ^(C)				21.5%	14.0%	17.6%
Corporate debt to total capitalization ratio before accumulated other comprehensive (loss) income ^{(A) (C)}				17.7%	13.6%	17.8%

^(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)

	<u>09/30/2008</u>	<u>06/30/2008</u>	<u>03/31/2008</u>	<u>12/31/2007</u>	<u>09/30/2007</u>	<u>06/30/2007</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
Premium and fee income:								
Group employee benefit products	\$ 334,606	\$ 330,585	\$ 332,525	\$ 321,704	\$ 316,821	\$ 315,323	\$ 313,744	\$ 308,952
Asset accumulation products	445	421	591	626	623	596	821	793
Other	9,977	9,768	9,174	9,303	8,500	8,418	7,682	8,414
Total premium and fee income	<u>345,028</u>	<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>
Net investment income:								
Group employee benefit products	7,372	36,364	15,556	39,430	41,605	40,333	42,333	40,619
Asset accumulation products	10,073	22,963	15,925	25,994	19,321	26,290	26,872	26,779
Other	1,962	1,423	856	1,945	1,842	2,484	2,098	2,499
Total investment income	<u>19,407</u>	<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>
Benefits and expenses:								
Group employee benefit products	308,999	303,607	303,631	296,955	291,192	291,341	292,318	289,069
Asset accumulation products	16,764	16,685	12,465	19,221	12,998	18,031	19,382	18,806
Other	18,103	18,146	16,709	17,179	17,967	16,925	17,063	17,377
Total benefits and expenses	<u>343,866</u>	<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>
Operating income:								
Group employee benefit products	32,979	63,342	44,450	64,179	67,234	64,315	63,759	60,502
Asset accumulation products	(6,246)	6,699	4,051	7,399	6,946	8,855	8,311	8,766
Other	(6,164)	(6,955)	(6,679)	(5,931)	(7,625)	(6,023)	(7,283)	(6,464)
	<u>20,569</u>	<u>63,086</u>	<u>41,822</u>	<u>65,647</u>	<u>66,555</u>	<u>67,147</u>	<u>64,787</u>	<u>62,804</u>
Net realized investment (losses) gains	(33,740)	(19,499)	(6,436)	(972)	(1,480)	937	(382)	1,022
Loss on redemptions of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	(598)	-	-	-	-	-	(2,192)	-
Operating (loss) income	<u>\$ (13,769)</u>	<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>

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

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/2008	09/30/2007	09/30/2008	09/30/2007	12/31/2007	12/31/2006
Revenue:						
Premium income:						
Core products:						
Disability, principally long-term	\$ 142,706	\$ 132,598	\$ 425,499	\$ 391,742	\$ 527,500	\$ 458,130
Life	100,757	91,583	301,718	271,285	364,771	316,360
Excess workers' compensation	66,173	68,122	196,901	209,242	276,252	260,031
Travel accident, dental and other	17,483	14,254	51,309	43,998	59,411	47,150
	327,119	306,557	975,427	916,267	1,227,934	1,081,671
Non-core products	7,487	10,264	22,289	29,621	39,658	42,455
	334,606	316,821	997,716	945,888	1,267,592	1,124,126
Net investment income	7,372	41,605	59,292	124,271	163,701	149,347
	341,978	358,426	1,057,008	1,070,159	1,431,293	1,273,473
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	230,222	222,224	691,176	668,722	890,918	793,303
Commissions	23,491	20,226	66,504	61,250	85,861	75,091
Amortization of cost of business acquired	21,426	19,196	59,293	53,282	72,725	70,560
Other operating expenses	33,860	29,546	99,264	91,597	122,302	109,110
	308,999	291,192	916,237	874,851	1,171,806	1,048,064
Operating income	\$ 32,979	\$ 67,234	\$ 140,771	\$ 195,308	\$ 259,487	\$ 225,409
Production (new annualized gross premium):						
Core products:						
Disability, principally long-term	\$ 26,531	\$ 22,682	\$ 78,586	\$ 89,270	\$ 131,818	\$ 114,622
Life	19,622	18,046	59,393	58,263	87,210	88,578
Excess workers' compensation ^(A)	11,436	8,283	19,409	27,788	30,092	57,217
Travel accident, dental and other	10,746	10,283	30,616	31,723	43,662	19,699
	68,335	59,294	188,004	207,044	292,782	280,116
Non-core products	6,347	6,279	17,252	14,919	18,687	31,319
Total production	\$ 74,682	\$ 65,573	\$ 205,256	\$ 221,963	\$ 311,469	\$ 311,435
Loss ratio (percent of total premium)	68.8%	70.1%	69.3%	70.7%	70.3%	70.6%
Expense ratio (percent of total premium)	23.5%	21.8%	22.5%	21.8%	22.1%	22.6%
Combined ratio (loss and expense ratio)	92.3%	91.9%	91.8%	92.5%	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%
^(A) Total excess workers' compensation production per above, less production from ERC renewal rights agreement	\$ 11,436	\$ 8,283	\$ 19,409	\$ 27,788	\$ 30,092	\$ 57,217
	-	-	-	3,383	3,383	25,830
Total production excluding ERC renewal rights agreement	\$ 11,436	\$ 8,283	\$ 19,409	\$ 24,405	\$ 26,709	\$ 31,387

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

	Three Months Ended		Nine Months Ended		Year Ended	
	09/30/2008	09/30/2007	09/30/2008	09/30/2007	12/31/2007	12/31/2006
Revenue:						
Premium and fee income	\$ 445	\$ 623	\$ 1,457	\$ 2,040	\$ 2,666	\$ 3,438
Net investment income	10,073	19,321	48,961	72,483	98,477	97,852
	<u>10,518</u>	<u>19,944</u>	<u>50,418</u>	<u>74,523</u>	<u>101,143</u>	<u>101,290</u>
Benefits and expenses:						
Benefits, claims and interest credited to policyholders	13,773	12,695	39,619	39,135	52,814	53,349
Commissions	355	121	699	322	494	517
Amortization of cost of business acquired	388	(1,770)	(834)	5,095	8,497	10,208
Other operating expenses	2,248	1,952	6,430	5,859	7,827	6,965
	<u>16,764</u>	<u>12,998</u>	<u>45,914</u>	<u>50,411</u>	<u>69,632</u>	<u>71,039</u>
Operating (loss) income	<u>\$ (6,246)</u>	<u>\$ 6,946</u>	<u>\$ 4,504</u>	<u>\$ 24,112</u>	<u>\$ 31,511</u>	<u>\$ 30,251</u>
Sales	\$ 43,968	\$ 32,595	\$ 195,798	\$ 83,808	\$ 107,145	\$ 90,741
Funding agreements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Funds under management (at end of period)			\$ 1,311,291	\$ 1,061,099	\$ 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		Nine Months Ended	
	09/30/2008	09/30/2007	09/30/2008	09/30/2007
Revenue:				
Premium and fee income	\$ 345,028	\$ 325,944	\$ 1,028,092	\$ 972,528
Net investment income	19,407	62,768	112,494	203,178
Net realized investment losses	(33,740)	(1,480)	(59,675)	(925)
Loss on redemptions of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	(598)	-	(598)	(2,192)
	330,097	387,232	1,080,313	1,172,589
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	244,042	234,525	730,709	708,220
Commissions and expenses	99,824	87,632	284,400	268,997
	343,866	322,157	1,015,109	977,217
Operating (loss) income	(13,769)	65,075	65,204	195,372
Interest expense:				
Corporate debt	4,427	3,328	12,940	12,973
Junior subordinated debentures	3,240	3,246	9,726	4,652
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	177	488	934	2,251
Income tax (benefit) expense	(11,803)	17,284	3,395	52,659
Net (loss) income	\$ (9,810)	\$ 40,729	\$ 38,209	\$ 122,837
Basic results per share of common stock:				
Net (loss) income	\$ (0.20)	\$ 0.80	\$ 0.79	\$ 2.44
Weighted average shares outstanding	47,936	50,596	48,379	50,405
Diluted results per share of common stock:				
Net (loss) income	\$ (0.20)	\$ 0.79	\$ 0.78	\$ 2.38
Weighted average shares outstanding	47,936	51,722	49,259	51,641
Dividends paid per share of common stock	\$ 0.10	\$ 0.09	\$ 0.29	\$ 0.26

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

	<u>09/30/2008</u>	<u>12/31/2007</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 3,733,054	\$ 3,691,694
Short-term investments	444,994	286,033
Other investments	<u>588,422</u>	<u>1,010,141</u>
	4,766,470	4,987,868
Cash	69,249	51,240
Cost of business acquired	237,641	174,430
Reinsurance receivables	378,671	402,785
Goodwill	93,929	93,929
Other assets	288,887	260,602
Assets held in separate account	<u>104,062</u>	<u>123,956</u>
Total assets	<u><u>\$ 5,938,909</u></u>	<u><u>\$ 6,094,810</u></u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$ 2,510,574	\$ 2,353,375
Policyholder account balances	1,340,825	1,083,121
Corporate debt	290,750	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
Other liabilities and policyholder funds	628,621	979,599
Liabilities related to separate account	<u>104,062</u>	<u>123,956</u>
Total liabilities	<u>5,049,832</u>	<u>4,953,420</u>
Shareholders' equity:		
Class A Common Stock	489	487
Class B Common Stock	60	59
Additional paid-in capital	521,819	509,742
Accumulated other comprehensive loss	(288,654)	(42,497)
Retained earnings	852,609	828,116
Treasury stock, at cost	<u>(197,246)</u>	<u>(154,517)</u>
Total shareholders' equity	<u>889,077</u>	<u>1,141,390</u>
Total liabilities and shareholders' equity	<u><u>\$ 5,938,909</u></u>	<u><u>\$ 6,094,810</u></u>

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

	Nine Months Ended	
	09/30/2008	09/30/2007
Operating activities:		
Net income	\$ 38,209	\$ 122,837
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in policy liabilities and policyholder accounts	194,967	219,478
Net change in reinsurance receivables and payables	18,901	(7,428)
Amortization, principally the cost of business acquired and investments	46,601	53,353
Deferred costs of business acquired	(94,043)	(84,042)
Net realized losses (gains) on investments	59,675	925
Net change in federal income tax liability	(53,654)	16,440
Other	56,828	(41,451)
Net cash provided by operating activities	267,484	280,112
Investing activities:		
Purchases of investments and loans made	(1,012,307)	(861,814)
Sales of investments and receipts from repayment of loans	348,569	328,176
Maturities of investments	311,840	120,486
Net change in short-term investments	(158,961)	138,805
Change in deposit in separate account	10,547	8,536
Net cash used by investing activities	(500,312)	(265,811)
Financing activities:		
Deposits to policyholder accounts	335,082	90,388
Withdrawals from policyholder accounts	(83,382)	(123,802)
Borrowings under revolving credit facility	79,000	42,000
Principal payments under revolving credit facility	(6,000)	(158,000)
Proceeds from the issuance of junior subordinated debentures	-	172,309
Redemptions of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	(20,619)	(37,728)
Acquisition of treasury stock	(42,729)	(1,800)
Other financing activities	(10,515)	(188)
Net cash provided (used) by financing activities	250,837	(16,821)
Increase (decrease) in cash	18,009	(2,520)
Cash at beginning of period	51,240	48,204
Cash at end of period	\$ 69,249	\$ 45,684

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, 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 ^(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	84,073	9,970	94,043
Amortized	(59,293)	834	(58,459)
Equity adjustment	-	27,627	27,627
Balance as of September 30, 2008	<u>\$ 135,765</u>	<u>\$ 101,876</u>	<u>\$ 237,641</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 September 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2002	-	-	-	-	-	-	-	0%
2003	2,481	-	-	-	-	-	2,481	7%
2004	-	1,892	1,745	5,505	-	-	9,142	25%
2005	18,873	-	1,096	-	-	-	19,969	53%
2006	3,018	-	182	-	-	109	3,309	9%
2007	2,069	-	-	-	-	286	2,355	6%
2008	-	-	-	-	-	-	-	0%
Total	\$ 26,441	\$ 1,892	\$ 3,023	\$ 5,505	\$ -	\$ 395	\$ 37,256	100%
% of Total	71%	5%	8%	15%	0%	1%	100%	

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	-	-	3,412	2,728	-	341	6,481	3%
2004	-	1,152	1,015	2,668	-	-	4,835	2%
2005	49,993	-	-	-	-	-	49,993	22%
2006	60,994	-	-	3,127	1,418	216	65,755	30%
2007	88,279	1,196	7,751	-	-	308	97,534	43%
2008	-	-	-	-	-	-	-	0%
Total	\$ 199,266	\$ 2,348	\$ 12,178	\$ 8,523	\$ 1,418	\$ 865	\$ 224,598	100%
% of Total	89%	1%	5%	4%	1%	0%	100%	

Commercial Mortgage Backed Securities - Carrying Value								
Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ 3,528	\$ 2,725	\$ 4,979	\$ -	\$ -	\$ -	\$ 11,232	29%
2002	7,647	462	-	2,121	3,229	-	13,459	35%
2003	-	-	-	-	-	-	-	0%
2004	-	-	-	-	-	-	-	0%
2005	-	-	-	-	811	-	811	2%
2006	-	-	-	-	993	-	993	3%
2007	-	-	884	6,080	-	-	6,964	18%
2008	2,827	2,189	-	-	-	-	5,016	13%
Total	\$ 14,002	\$ 5,376	\$ 5,863	\$ 8,201	\$ 5,033	\$ -	\$ 38,475	100%
% of Total	37%	14%	15%	21%	13%	0%	100%	

Municipal Securities - Underlying Rating - Carrying Value								
	Aaa	Aa	A	Baa	Ba and Below	Not Rated	Total	% of Total
Insured	\$ 24,905	\$ 374,194	\$ 199,995	\$ 35,659	\$ 3,705	\$ 110,733	\$ 749,191	72%
Uninsured	40,010	82,982	129,735	36,182	1,562	-	290,471	28%
Total	\$ 64,915	\$ 457,176	\$ 329,730	\$ 71,841	\$ 5,267	\$ 110,733	\$ 1,039,662	100%
% of Total	6%	44%	32%	7%	1%	10%	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		Nine Months Ended		Year Ended	
	09/30/2008	09/30/2007	09/30/2008	09/30/2007	12/31/2007	12/31/2006
Operating earnings	\$ 12,510	\$ 41,691	\$ 77,387	\$ 124,863	\$ 167,170	\$ 145,561
Net realized investment losses, net of taxes	(21,931)	(962)	(38,789)	(601)	(1,233)	(558)
Loss on redemptions of junior subordinated deferrable interest debentures, net of taxes	(389)	-	(389)	(1,425)	(1,425)	-
(Loss) income from continuing operations	(9,810)	40,729	38,209	122,837	164,512	145,003
Discontinued operations, net of taxes	-	-	-	-	-	(2,935)
Net (loss) income (GAAP measure)	\$ (9,810)	\$ 40,729	\$ 38,209	\$ 122,837	\$ 164,512	\$ 142,068
Diluted results per share of common stock:						
Operating earnings	\$ 0.26	\$ 0.81	\$ 1.57	\$ 2.42	\$ 3.24	\$ 2.86
Net realized investment losses, net of taxes	(0.45)	(0.02)	(0.78)	(0.01)	(0.02)	(0.01)
Loss on redemptions of junior subordinated deferrable interest debentures, net of taxes	(0.01)	-	(0.01)	(0.03)	(0.03)	-
(Loss) income from continuing operations	(0.20)	0.79	0.78	2.38	3.19	2.85
Discontinued operations, net of taxes	-	-	-	-	-	(0.06)
Net (loss) income (GAAP measure)	\$ (0.20)	\$ 0.79	\$ 0.78	\$ 2.38	\$ 3.19	\$ 2.79
Annualized operating return on beginning equity	4.8%	14.6%	9.0%	15.2%	15.3%	14.1%
Annualized net (loss) income return on beginning equity (GAAP measure)	-3.8%	14.3%	4.5%	15.0%	15.1%	13.8%

Balance Sheet Data

	09/30/08	12/31/2007	12/31/2006
Shareholders' equity, excluding accumulated other comprehensive (loss) income	\$ 1,177,731	\$ 1,183,887	\$ 1,155,675
Add: Accumulated other comprehensive (loss) income	(288,654)	(42,497)	19,133
Shareholders' equity (GAAP measure)	\$ 889,077	\$ 1,141,390	\$ 1,174,808
Diluted book value per share of common stock, excluding accumulated other comprehensive (loss) income	\$ 24.32	\$ 24.07	\$ 23.35
Add: Accumulated other comprehensive (loss) income	(5.63)	(0.79)	0.35
Diluted book value per share of common stock (GAAP measure)	\$ 18.69	\$ 23.28	\$ 23.70
Corporate debt to total capitalization ratio, excluding accumulated other comprehensive (loss) income		17.7%	13.6%
Corporate debt to total capitalization ratio (GAAP measure)		21.5%	14.0%
		17.8%	17.6%