



**FINANCIAL
SUPPLEMENT**

FOURTH QUARTER 2008

DELPHI FINANCIAL GROUP, INC.

Financial Supplement

Fourth 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 full year 2008 and the 2007 and 2008 interim period financial statements and related data included herein are unaudited. This report is dated February 11, 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 (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 (loss) 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 (loss)), 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 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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Fourth 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>Year Ended</u>		
	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Operating earnings ^(A)	\$ 17,000	\$ 42,307	\$ 94,387	\$ 167,170	\$ 145,561
Per common share, assuming dilution ^(A)	0.35	0.82	1.93	3.24	2.86
Weighted average shares outstanding (diluted)	47,975	51,393	48,963	51,579	50,939
Annualized operating return on beginning equity ^(A)	7.6%	14.4%	8.3%	15.3%	14.1%
<u>At period ended:</u>			<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Assets			\$ 5,953,873	\$ 6,094,810	\$ 5,670,475
Corporate debt ^(B)			350,750	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			820,579	1,141,390	1,174,808
Diluted book value per share of common stock			\$ 17.05	\$ 23.28	\$ 23.70
Diluted book value per share of common stock before accumulated other comprehensive (loss) income ^(A)			24.27	24.07	23.35
Corporate debt to total capitalization ratio ^(C)			26.1%	14.0%	17.6%
Corporate debt to total capitalization ratio before accumulated other comprehensive (loss) income ^{(A)(C)}			20.7%	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>12/31/2008</u>	<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>
Premium and fee income:								
Group employee benefit products	\$ 345,307	\$ 334,606	\$ 330,585	\$ 332,525	\$ 321,704	\$ 316,821	\$ 315,323	\$ 313,744
Asset accumulation products	461	445	421	591	626	623	596	821
Other	11,030	9,977	9,768	9,174	9,303	8,500	8,418	7,682
Total premium and fee income	<u>356,798</u>	<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>
Net investment income:								
Group employee benefit products	11,938	7,372	36,364	15,556	39,430	41,605	40,333	42,333
Asset accumulation products	8,962	10,073	22,963	15,925	25,994	19,321	26,290	26,872
Other	1,456	1,962	1,423	856	1,945	1,842	2,484	2,098
Total investment income	<u>22,356</u>	<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>
Benefits and expenses:								
Group employee benefit products	321,943	308,999	303,607	303,631	296,955	291,192	291,341	292,318
Asset accumulation products	17,057	16,764	16,685	12,465	19,221	12,998	18,031	19,382
Other	12,815	18,103	18,146	16,709	17,179	17,967	16,925	17,063
Total benefits and expenses	<u>351,815</u>	<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>
Operating income (loss):								
Group employee benefit products	35,302	32,979	63,342	44,450	64,179	67,234	64,315	63,759
Asset accumulation products	(7,634)	(6,246)	6,699	4,051	7,399	6,946	8,855	8,311
Other	(329)	(6,164)	(6,955)	(6,679)	(5,931)	(7,625)	(6,023)	(7,283)
	<u>27,339</u>	<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>
Net realized investment (losses) gains	(28,502)	(33,740)	(19,499)	(6,436)	(972)	(1,480)	937	(382)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	(598)	-	-	-	-	-	(2,192)
Operating (loss) income	<u>\$ (1,163)</u>	<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>

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

	Three Months Ended		Year Ended		
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2006
Revenue:					
Premium income:					
Core products:					
Disability, principally long-term	\$ 147,131	\$ 135,758	\$ 572,630	\$ 527,500	\$ 458,130
Life	101,210	93,486	402,928	364,771	316,360
Excess workers' compensation	67,343	67,010	264,244	276,252	260,031
Travel accident, dental and other	18,896	15,413	70,205	59,411	47,150
	<u>334,580</u>	<u>311,667</u>	<u>1,310,007</u>	<u>1,227,934</u>	<u>1,081,671</u>
Non-core products	10,727	10,037	33,016	39,658	42,455
	<u>345,307</u>	<u>321,704</u>	<u>1,343,023</u>	<u>1,267,592</u>	<u>1,124,126</u>
Net investment income	11,938	39,430	71,230	163,701	149,347
	<u>357,245</u>	<u>361,134</u>	<u>1,414,253</u>	<u>1,431,293</u>	<u>1,273,473</u>
Benefits and expenses:					
Benefits, claims and interest credited to policyholders	242,039	222,196	933,215	890,918	793,303
Commissions	24,138	24,611	90,642	85,861	75,091
Amortization of cost of business acquired	22,668	19,443	81,961	72,725	70,560
Other operating expenses	33,098	30,705	132,362	122,302	109,110
	<u>321,943</u>	<u>296,955</u>	<u>1,238,180</u>	<u>1,171,806</u>	<u>1,048,064</u>
Operating income	<u>\$ 35,302</u>	<u>\$ 64,179</u>	<u>\$ 176,073</u>	<u>\$ 259,487</u>	<u>\$ 225,409</u>
Production (new annualized gross premium):					
Core products:					
Disability, principally long-term	\$ 42,921	\$ 42,548	\$ 121,507	\$ 131,818	\$ 114,622
Life	35,288	28,947	94,681	87,210	88,578
Excess workers' compensation ^(A)	6,423	2,304	25,832	30,092	57,217
Travel accident, dental and other	16,329	11,939	46,945	43,662	19,699
	<u>100,961</u>	<u>85,738</u>	<u>288,965</u>	<u>292,782</u>	<u>280,116</u>
Non-core products	3,660	3,769	20,912	18,687	31,319
Total production	<u>\$ 104,621</u>	<u>\$ 89,507</u>	<u>\$ 309,877</u>	<u>\$ 311,469</u>	<u>\$ 311,435</u>
Loss ratio (percent of total premium)	70.1%	69.1%	69.5%	70.3%	70.6%
Expense ratio (percent of total premium)	23.1%	23.2%	22.7%	22.1%	22.6%
Combined ratio (loss and expense ratio)	93.2%	92.3%	92.2%	92.4%	93.2%
Persistency ratio:					
Disability, principally long-term			83.2%	84.9%	83.7%
Life			84.6%	84.4%	84.2%
Travel accident and other			87.8%	87.0%	82.9%
Renewal ratio:					
Excess workers' compensation			93.1%	87.6%	88.3%
^(A) Total excess workers' compensation production per above, less production from ERC renewal rights agreement	\$ 6,423	\$ 2,304	\$ 25,832	\$ 30,092	\$ 57,217
	-	-	-	3,383	25,830
Total production excluding ERC renewal rights agreement	<u>\$ 6,423</u>	<u>\$ 2,304</u>	<u>\$ 25,832</u>	<u>\$ 26,709</u>	<u>\$ 31,387</u>

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

	Three Months Ended		Year Ended		
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2006
Revenue:					
Premium and fee income	\$ 461	\$ 626	\$ 1,918	\$ 2,666	\$ 3,438
Net investment income	8,962	25,994	57,923	98,477	97,852
	<u>9,423</u>	<u>26,620</u>	<u>59,841</u>	<u>101,143</u>	<u>101,290</u>
Benefits and expenses:					
Benefits, claims and interest credited to policyholders	15,666	13,679	55,285	52,814	53,349
Commissions	110	172	809	494	517
Amortization of cost of business acquired	(716)	3,402	(1,550)	8,497	10,208
Other operating expenses	1,997	1,968	8,427	7,827	6,965
	<u>17,057</u>	<u>19,221</u>	<u>62,971</u>	<u>69,632</u>	<u>71,039</u>
Operating (loss) income	<u>\$ (7,634)</u>	<u>\$ 7,399</u>	<u>\$ (3,130)</u>	<u>\$ 31,511</u>	<u>\$ 30,251</u>
Sales	\$ 49,319	\$ 23,337	\$ 245,117	\$ 107,145	\$ 90,741
Funding agreements	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Funds under management (at end of period)			\$ 1,327,502	\$ 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		Twelve Months Ended	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Revenue:				
Premium and fee income	\$ 356,798	\$ 331,633	\$ 1,384,890	\$ 1,304,161
Net investment income	22,356	67,369	134,850	270,547
Net realized investment losses	(28,502)	(972)	(88,177)	(1,897)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	-	(598)	(2,192)
	<u>350,652</u>	<u>398,030</u>	<u>1,430,965</u>	<u>1,570,619</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	258,544	236,681	989,253	944,901
Commissions and expenses	93,271	96,674	377,671	365,671
	<u>351,815</u>	<u>333,355</u>	<u>1,366,924</u>	<u>1,310,572</u>
Operating (loss) income	(1,163)	64,675	64,041	260,047
Interest expense:				
Corporate debt	4,761	3,897	17,701	16,870
Junior subordinated debentures	3,240	3,239	12,966	7,891
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	476	934	2,727
Income tax (benefit) expense	(7,638)	15,388	(4,243)	68,047
Net (loss) income	<u>\$ (1,526)</u>	<u>\$ 41,675</u>	<u>\$ 36,683</u>	<u>\$ 164,512</u>
Basic results per share of common stock:				
Net (loss) income	\$ (0.03)	\$ 0.84	\$ 0.76	\$ 3.27
Weighted average shares outstanding	47,975	49,859	48,278	50,269
Diluted results per share of common stock:				
Net (loss) income	\$ (0.03)	\$ 0.81	\$ 0.75	\$ 3.19
Weighted average shares outstanding	47,975	51,393	48,963	51,579
Dividends paid per share of common stock	\$ 0.10	\$ 0.09	\$ 0.39	\$ 0.35

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

	<u>12/31/2008</u>	<u>12/31/2007</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 3,773,382	\$ 3,691,694
Short-term investments	401,620	286,033
Other investments	<u>479,921</u>	<u>1,010,141</u>
	4,654,923	4,987,868
Cash	63,837	51,240
Cost of business acquired	264,777	174,430
Reinsurance receivables	376,731	402,785
Goodwill	93,929	93,929
Other assets	409,103	260,602
Assets held in separate account	<u>90,573</u>	<u>123,956</u>
Total assets	<u><u>\$ 5,953,873</u></u>	<u><u>\$ 6,094,810</u></u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$ 2,574,050	\$ 2,353,375
Policyholder account balances	1,356,932	1,083,121
Corporate debt	350,750	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	585,989	979,599
Liabilities related to separate account	<u>90,573</u>	<u>123,956</u>
Total liabilities	<u>5,133,294</u>	<u>4,953,420</u>
Shareholders' equity:		
Class A Common Stock	489	487
Class B Common Stock	60	59
Additional paid-in capital	522,596	509,742
Accumulated other comprehensive loss	(351,710)	(42,497)
Retained earnings	846,390	828,116
Treasury stock, at cost	<u>(197,246)</u>	<u>(154,517)</u>
Total shareholders' equity	<u>820,579</u>	<u>1,141,390</u>
Total liabilities and shareholders' equity	<u><u>\$ 5,953,873</u></u>	<u><u>\$ 6,094,810</u></u>

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

	Twelve Months Ended		
	12/31/2008	12/31/2007	12/31/2006
Operating activities:			
Net income	\$ 36,683	\$ 164,512	\$ 142,068
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in policy liabilities and policyholder accounts	233,116	245,031	270,620
Net change in reinsurance receivables and payables	30,746	5,335	5,160
Amortization, principally the cost of business acquired and investments	63,438	73,084	70,935
Deferred costs of business acquired	(124,529)	(108,574)	(100,260)
Net realized losses on investments	88,177	1,897	858
Net change in federal income tax liability	(68,689)	23,757	28,590
Other	137,390	(21,723)	(15,046)
Net cash provided by operating activities	<u>396,332</u>	<u>383,319</u>	<u>402,925</u>
Investing activities:			
Purchases of investments and loans made	(1,474,661)	(1,210,252)	(1,119,894)
Sales of investments and receipts from repayment of loans	537,328	550,991	747,841
Maturities of investments	336,417	171,927	206,223
Net change in short-term investments	(115,587)	114,206	(305,849)
Change in deposit in separate account	12,429	8,948	(2,008)
Net cash used by investing activities	<u>(704,074)</u>	<u>(364,180)</u>	<u>(473,687)</u>
Financing activities:			
Deposits to policyholder accounts	388,419	116,729	200,820
Withdrawals from policyholder accounts	(120,984)	(159,035)	(131,229)
Borrowings under revolving credit facility	139,000	112,000	31,000
Principal payments under revolving credit facility	(6,000)	(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	(20,619)	(37,728)	-
Acquisition of treasury stock	(42,729)	(62,417)	(16,577)
Other financing activities	(16,748)	39	8,459
Net cash provided (used) by financing activities	<u>320,339</u>	<u>(16,103)</u>	<u>90,473</u>
Increase in cash	12,597	3,036	19,711
Cash at beginning of period	51,240	48,204	28,493
Cash at end of period	<u>\$ 63,837</u>	<u>\$ 51,240</u>	<u>\$ 48,204</u>

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	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	<u>\$ 139,699</u>	<u>\$ 125,078</u>	<u>\$ 264,777</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 December 31, 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	1,649	-	-	-	-	-	1,649	5%
2004	-	1,530	1,642	4,512	-	-	7,684	22%
2005	20,027	-	392	-	-	-	20,419	59%
2006	2,672	-	135	-	-	13	2,820	8%
2007	-	-	1,847	-	-	81	1,928	6%
2008	-	-	-	-	-	-	-	0%
Total	\$ 24,348	\$ 1,530	\$ 4,016	\$ 4,512	\$ -	\$ 94	\$ 34,500	100%
% of Total	71%	4%	12%	13%	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2002	-	-	-	-	-	-	-	0%
2003	6,065	-	2,990	2,938	319	-	12,312	6%
2004	7,555	1,156	826	2,383	-	-	11,920	6%
2005	39,032	-	-	2,176	-	916	42,124	20%
2006	42,812	277	8,398	5,189	-	695	57,371	27%
2007	39,789	6,264	25,188	13	14,384	111	85,749	41%
2008	-	-	-	-	-	-	-	0%
Total	\$ 135,253	\$ 7,697	\$ 37,402	\$ 12,699	\$ 14,703	\$ 1,722	\$ 209,476	100%
% of Total	64%	4%	18%	6%	7%	1%	100%	

Commercial Mortgage Backed Securities - Carrying Value								
Vintage	Aaa	Aa	A	Baa	Ba	B and Below	Total	% of Total
2001 & Prior	\$ 3,263	\$ 2,021	\$ 3,014	\$ -	\$ -	\$ -	\$ 8,298	33%
2002	7,134	317	-	1,441	2,043	-	10,935	44%
2003	-	-	-	-	-	-	-	0%
2004	-	-	-	-	-	-	-	0%
2005	-	-	-	-	352	-	352	1%
2006	-	-	-	-	254	63	317	1%
2007	-	-	351	2,191	-	-	2,542	10%
2008	1,933	922	-	-	-	-	2,855	11%
Total	\$ 12,330	\$ 3,260	\$ 3,365	\$ 3,632	\$ 2,649	\$ 63	\$ 25,299	100%
% of Total	50%	13%	13%	14%	10%	0%	100%	

Municipal Securities - Underlying Rating - Carrying Value								
	Aaa	Aa	A	Baa	Ba and Below	Not Rated	Total	% of Total
Insured	\$ 25,596	\$ 395,466	\$ 203,055	\$ 28,457	\$ 5,189	\$ 228,656	\$ 886,419	75%
Uninsured	44,192	95,127	132,403	30,795	440	-	302,957	25%
Total	\$ 69,788	\$ 490,593	\$ 335,458	\$ 59,252	\$ 5,629	\$ 228,656	\$ 1,189,376	100%
% of Total	6%	41%	29%	5%	0%	19%	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		Year Ended		
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2006
Operating earnings	\$ 17,000	\$ 42,307	\$ 94,387	\$ 167,170	\$ 145,561
Net realized investment losses, net of taxes	(18,526)	(632)	(57,315)	(1,233)	(558)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	(389)	(1,425)	-
(Loss) income from continuing operations	(1,526)	41,675	36,683	164,512	145,003
Discontinued operations, net of taxes	-	-	-	-	(2,935)
Net (loss) income (GAAP measure)	\$ (1,526)	\$ 41,675	\$ 36,683	\$ 164,512	\$ 142,068
Diluted results per share of common stock:					
Operating earnings	\$ 0.35	\$ 0.82	\$ 1.93	\$ 3.24	\$ 2.86
Net realized investment losses, net of taxes	(0.38)	(0.01)	(1.17)	(0.02)	(0.01)
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	(0.01)	(0.03)	-
(Loss) income from continuing operations	(0.03)	0.81	0.75	3.19	2.85
Discontinued operations, net of taxes	-	-	-	-	(0.06)
Net (loss) income (GAAP measure)	\$ (0.03)	\$ 0.81	\$ 0.75	\$ 3.19	\$ 2.79
Annualized operating return on beginning equity	7.6%	14.4%	8.3%	15.3%	14.1%
Annualized net (loss) income return on beginning equity (GAAP measure)	-0.7%	14.2%	3.2%	15.1%	13.8%
 <u>Balance Sheet Data</u>					
			12/31/2008	12/31/2007	12/31/2006
Shareholders' equity, excluding accumulated other comprehensive (loss) income			\$ 1,172,289	\$ 1,183,887	\$ 1,155,675
Add: Accumulated other comprehensive (loss) income			(351,710)	(42,497)	19,133
Shareholders' equity (GAAP measure)			\$ 820,579	\$ 1,141,390	\$ 1,174,808
Diluted book value per share of common stock,					
excluding accumulated other comprehensive (loss) income			\$ 24.27	\$ 24.07	\$ 23.35
Add: Accumulated other comprehensive (loss) income			(7.22)	(0.79)	0.35
Diluted book value per share of common stock (GAAP measure)			\$ 17.05	\$ 23.28	\$ 23.70
Corporate debt to total capitalization ratio, excluding accumulated other comprehensive (loss) income					
			20.7%	13.6%	17.8%
Corporate debt to total capitalization ratio (GAAP measure)					
			26.1%	14.0%	17.6%