



**FINANCIAL
SUPPLEMENT**

FOURTH QUARTER 2007

DELPHI FINANCIAL GROUP, INC.
Financial Supplement
Fourth Quarter 2007

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.

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 February 12, 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.

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 are presented on page 10.

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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>12/31/07</u>	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
Operating earnings ^(A)	\$ 42,307	\$ 39,515	\$ 167,170	\$ 145,561	\$ 120,832
Per common share, assuming dilution ^(A)	0.82	0.77	3.24	2.86	2.40
Weighted average shares outstanding (diluted)	51,393	51,285	51,579	50,939	50,267
Annualized operating earnings return on beginning equity ^(A)	14.4%	14.0%	15.3%	14.1%	12.9%
<u>At period ended:</u>			<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
Assets			\$ 6,094,810	\$ 5,670,475	\$ 5,276,170
Corporate debt ^(B)			217,750	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			1,141,390	1,174,808	1,033,039
Diluted book value per share of common stock			\$ 23.28	\$ 23.70	\$ 20.96
Diluted book value per share of common stock before accumulated other comprehensive (loss) income ^(A)			24.07	23.35	20.58
Corporate debt to total capitalization ratio ^(C)			14.0%	17.6%	17.7%

^(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>12/31/2007</u>	<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>
Premium and fee income:								
Group employee benefit products	\$ 321,704	\$ 316,821	\$ 315,323	\$ 313,744	\$ 308,952	\$ 287,161	\$ 272,607	\$ 255,406
Asset accumulation products	626	623	596	821	793	1,018	797	830
Other	9,303	8,500	8,418	7,682	8,414	7,011	6,866	6,723
Total premium and fee income	<u>331,633</u>	<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>
Net investment income:								
Group employee benefit products	39,430	41,605	40,333	42,333	40,619	38,582	35,284	34,862
Asset accumulation products	25,994	19,321	26,290	26,872	26,779	25,297	23,499	22,277
Other	1,945	1,842	2,484	2,098	2,499	2,280	2,003	1,890
Total investment income	<u>67,369</u>	<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>
Benefits and expenses:								
Group employee benefit products	296,955	291,192	291,341	292,318	289,069	267,923	251,860	239,212
Asset accumulation products	19,221	12,998	18,031	19,382	18,806	18,181	17,913	16,139
Other	17,179	17,967	16,925	17,063	17,377	16,532	13,127	12,028
Total benefits and expenses	<u>333,355</u>	<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>
Operating income:								
Group employee benefit products	64,179	67,234	64,315	63,759	60,502	57,820	56,031	51,056
Asset accumulation products	7,399	6,946	8,855	8,311	8,766	8,134	6,383	6,968
Other	(5,931)	(7,625)	(6,023)	(7,283)	(6,464)	(7,241)	(4,258)	(3,415)
	<u>65,647</u>	<u>66,555</u>	<u>67,147</u>	<u>64,787</u>	<u>62,804</u>	<u>58,713</u>	<u>58,156</u>	<u>54,609</u>
Net realized investment (losses) gains	(972)	(1,480)	937	(382)	1,022	(335)	(294)	(1,251)
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>\$ 64,675</u>	<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>

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

	Three Months Ended		Year Ended		
	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2005
Revenue:					
Premium income:					
Core products:					
Disability, principally long-term	\$ 135,758	\$ 120,011	\$ 527,500	\$ 458,130	\$ 392,959
Life	93,486	81,513	364,771	316,360	281,915
Excess workers' compensation	67,010	68,691	276,252	260,031	220,312
Travel accident, dental and other	15,413	13,252	59,411	47,150	41,058
	<u>311,667</u>	<u>283,467</u>	<u>1,227,934</u>	<u>1,081,671</u>	<u>936,244</u>
Non-core products	10,037	25,485	39,658	42,455	24,918
	<u>321,704</u>	<u>308,952</u>	<u>1,267,592</u>	<u>1,124,126</u>	<u>961,162</u>
Net investment income	39,430	40,619	163,701	149,347	130,713
	<u>361,134</u>	<u>349,571</u>	<u>1,431,293</u>	<u>1,273,473</u>	<u>1,091,875</u>
Benefits and expenses:					
Benefits, claims and interest credited to policyholders	222,196	220,268	890,918	793,303	674,118
Commissions	24,611	21,435	85,861	75,091	67,921
Amortization of cost of business acquired	19,443	19,649	72,725	70,560	62,120
Other operating expenses	30,705	27,717	122,302	109,110	100,437
	<u>296,955</u>	<u>289,069</u>	<u>1,171,806</u>	<u>1,048,064</u>	<u>904,596</u>
Operating income	<u>\$ 64,179</u>	<u>\$ 60,502</u>	<u>\$ 259,487</u>	<u>\$ 225,409</u>	<u>\$ 187,279</u>
Production (new annualized gross premium):					
Core products:					
Disability, principally long-term	\$ 42,548	\$ 52,854	\$ 131,818	\$ 114,622	\$ 103,515
Life	28,947	31,964	87,210	88,578	72,814
Excess workers' compensation (A)	2,304	3,838	30,092	57,217	46,044
Travel accident, dental and other	11,939	5,098	43,662	19,699	21,728
	<u>85,738</u>	<u>93,754</u>	<u>292,782</u>	<u>280,116</u>	<u>244,101</u>
Non-core products	3,769	21,372	18,687	31,319	19,825
Total production	<u>\$ 89,507</u>	<u>\$ 115,126</u>	<u>\$ 311,469</u>	<u>\$ 311,435</u>	<u>\$ 263,926</u>
Loss ratio (percent of total premium)	69.1%	71.3%	70.3%	70.6%	70.1%
Expense ratio (percent of total premium)	23.2%	22.3%	22.1%	22.6%	24.0%
Combined ratio (loss and expense ratio)	92.3%	93.6%	92.4%	93.2%	94.1%
Persistency ratio:					
Disability, principally long-term			84.9%	83.7%	82.1%
Life			84.4%	84.2%	80.2%
Travel accident and other			87.0%	82.9%	77.2%
Renewal ratio:					
Excess workers' compensation			87.6%	88.3%	90.7%
(A) Total excess workers' compensation production per above	\$ 2,304	\$ 3,838	\$ 30,092	\$ 57,217	\$ 46,044
less: production from ERC renewal rights agreement	-	-	3,383	25,830	6,919
Total production excluding ERC renewal rights agreement	<u>\$ 2,304</u>	<u>\$ 3,838</u>	<u>\$ 26,709</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		Year Ended		
	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2005
Revenue:					
Premium and fee income	\$ 626	\$ 793	\$ 2,666	\$ 3,438	\$ 3,220
Net investment income	25,994	26,779	98,477	97,852	84,577
	<u>26,620</u>	<u>27,572</u>	<u>101,143</u>	<u>101,290</u>	<u>87,797</u>
Benefits and expenses:					
Benefits, claims and interest credited to policyholders	13,679	13,647	52,814	53,349	49,856
Commissions	172	143	494	517	631
Amortization of cost of business acquired	3,402	3,404	8,497	10,208	7,161
Other operating expenses	1,968	1,612	7,827	6,965	6,584
	<u>19,221</u>	<u>18,806</u>	<u>69,632</u>	<u>71,039</u>	<u>64,232</u>
Operating income	<u>\$ 7,399</u>	<u>\$ 8,766</u>	<u>\$ 31,511</u>	<u>\$ 30,251</u>	<u>\$ 23,565</u>
Sales	\$ 23,337	\$ 19,679	\$ 107,145	\$ 90,741	\$ 95,021
Funding agreements	\$ -	\$ -	\$ -	\$ 100,000	\$ -
Funds under management (at end of period)			\$ 1,053,221	\$ 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		Twelve Months Ended	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Revenue:				
Premium and fee income	\$ 331,633	\$ 318,159	\$ 1,304,161	\$ 1,156,578
Net investment income	67,369	69,897	270,547	255,871
Net realized investment losses	(972)	1,022	(1,897)	(858)
Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	-	-	(2,192)	-
	<u>398,030</u>	<u>389,078</u>	<u>1,570,619</u>	<u>1,411,591</u>
Benefits and expenses:				
Benefits, claims and interest credited to policyholders	236,681	234,525	944,901	847,486
Commissions and expenses	96,674	90,727	365,671	330,681
	<u>333,355</u>	<u>325,252</u>	<u>1,310,572</u>	<u>1,178,167</u>
Operating income	64,675	63,826	260,047	233,424
Interest expense:				
Corporate debt	3,897	5,143	16,870	20,172
Junior subordinated debentures	3,239	-	7,891	-
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries	476	1,324	2,727	5,211
Income tax expense	15,388	17,180	68,047	63,038
Income from continuing operations	41,675	40,179	164,512	145,003
Discontinued operations, net of taxes	-	(3)	-	(2,935)
Net income	<u>\$ 41,675</u>	<u>\$ 40,176</u>	<u>\$ 164,512</u>	<u>\$ 142,068</u>
Basic results per share of common stock:				
Income from continuing operations	\$ 0.84	\$ 0.80	\$ 3.27	\$ 2.92
Discontinued operations	-	-	-	(0.06)
Net income	\$ 0.84	\$ 0.80	\$ 3.27	\$ 2.86
Weighted average shares outstanding	49,859	49,932	50,269	49,631
Diluted results per share of common stock:				
Income from continuing operations	\$ 0.81	\$ 0.78	\$ 3.19	\$ 2.85
Discontinued operations	-	-	-	(0.06)
Net income	\$ 0.81	\$ 0.78	\$ 3.19	\$ 2.79
Weighted average shares outstanding	51,393	51,285	51,579	50,939
Dividends paid per share of common stock	\$ 0.09	\$ 0.08	\$ 0.35	\$ 0.31

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Assets:		
Investments:		
Fixed maturity securities, available for sale	\$ 3,691,694	\$ 3,377,578
Short-term investments	286,033	400,239
Other investments	<u>1,010,141</u>	<u>705,563</u>
	4,987,868	4,483,380
Cash	51,240	48,204
Cost of business acquired ^(A)	174,430	267,920
Reinsurance receivables	402,785	410,593
Goodwill	93,929	93,929
Other assets	260,602	251,975
Assets held in separate account	<u>123,956</u>	<u>114,474</u>
Total assets	<u>\$ 6,094,810</u>	<u>\$ 5,670,475</u>
Liabilities and Shareholders' Equity:		
Policy liabilities and accruals	\$ 2,353,375	\$ 2,107,644
Policyholder account balances	1,083,121	1,119,218
Corporate debt	217,750	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	979,599	830,819
Liabilities related to separate account	<u>123,956</u>	<u>114,474</u>
Total liabilities	<u>4,953,420</u>	<u>4,495,667</u>
Shareholders' equity:		
Class A Common Stock	487	480
Class B Common Stock	59	57
Additional paid-in capital	509,742	474,722
Accumulated other comprehensive (loss) income	(42,497)	19,133
Retained earnings ^(A)	828,116	763,386
Treasury stock, at cost	<u>(154,517)</u>	<u>(82,970)</u>
Total shareholders' equity	<u>1,141,390</u>	<u>1,174,808</u>
Total liabilities and shareholders' equity	<u>\$ 6,094,810</u>	<u>\$ 5,670,475</u>

^(A) 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)

	Twelve Months Ended		
	12/31/2007	12/31/2006	12/31/2005
Operating activities:			
Net income	\$ 164,512	\$ 142,068	\$ 113,334
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in policy liabilities and policyholder accounts	245,031	270,620	227,188
Net change in reinsurance receivables and payables	5,335	5,160	13,818
Amortization, principally the cost of business acquired and investments	73,084	70,935	62,014
Deferred costs of business acquired	(108,574)	(100,260)	(89,601)
Net realized losses (gains) on investments	1,897	858	(9,003)
Net change in federal income tax liability	23,757	28,590	16,924
Other	(21,723)	(15,046)	(25,274)
Net cash provided by operating activities	<u>383,319</u>	<u>402,925</u>	<u>309,400</u>
Investing activities:			
Purchases of investments and loans made	(1,210,252)	(1,119,894)	(1,946,034)
Sales of investments and receipts from repayment of loans	550,991	747,841	1,408,018
Maturities of investments	171,927	206,223	180,292
Net change in short-term investments	114,206	(305,849)	1,484
Change in deposit in separate account	8,948	(2,008)	(5,876)
Net cash used by investing activities	<u>(364,180)</u>	<u>(473,687)</u>	<u>(362,116)</u>
Financing activities:			
Deposits to policyholder accounts	116,729	200,820	102,708
Withdrawals from policyholder accounts	(159,035)	(131,229)	(101,701)
Borrowings under revolving credit facility	112,000	31,000	88,000
Principal payments under revolving credit facility	(158,000)	(2,000)	(11,000)
Change in liability for Federal Home Loan Bank advances	-	-	(30,000)
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)	-	-
Purchases of treasury stock	(62,417)	(16,577)	(7,079)
Other financing activities	39	8,459	15,957
Net cash (used) provided by financing activities	<u>(16,103)</u>	<u>90,473</u>	<u>56,885</u>
Increase in cash	3,036	19,711	4,169
Cash at beginning of period	48,204	28,493	24,324
Cash at end of period	<u>\$ 51,240</u>	<u>\$ 48,204</u>	<u>\$ 28,493</u>

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

	Group Employee Benefit <u>Products</u>	Asset Accumulation <u>Products ^(A)</u>	<u>Total</u>
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	<u>148,990</u>	<u>34,675</u>	<u>183,665</u>
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	<u>166,337</u>	<u>46,212</u>	<u>212,549</u>
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	<u>187,541</u>	<u>60,597</u>	<u>248,138</u>
Deferred	92,449	7,811	100,260
Amortized	(70,560)	(10,208)	(80,768)
Equity adjustment	-	290	290
Balance as of December 31, 2006	<u>209,430</u>	<u>58,490</u>	<u>267,920</u>
Cumulative effect adjustment ^(B)	(127,004)	-	(127,004)
Balance as of January 1, 2007	<u>82,426</u>	<u>58,490</u>	<u>140,916</u>
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	<u>\$ 110,985</u>	<u>\$ 63,445</u>	<u>\$ 174,430</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.
Investment Portfolio Data
As of December 31, 2007
(Dollars in Thousands)

Sub-Prime Residential Mortgage Backed Securities - Carrying Value

	Aaa	Aa	A	Baa	Ba	B	Total	% of Total
2001 & Prior	\$ -	\$ 973	\$ -	\$ 1,100	\$ -	\$ -	\$ 2,073	5%
2002	-	-	-	-	-	-	-	0%
2003	2,260	-	-	-	3	-	2,263	6%
2004	-	3,004	-	7,986	-	-	10,990	28%
2005	18,700	-	1,420	-	-	-	20,120	52%
2006	-	1,481	633	-	-	-	2,114	5%
2007	-	-	1,496	-	-	-	1,496	4%
Total	\$ 20,960	\$ 5,458	\$ 3,549	\$ 9,086	\$ 3	\$ -	\$ 39,056	100%
% of Total	54%	14%	9%	23%	0%	0%	100%	

Alt-A Residential Mortgage Backed Securities - Carrying Value

	Aaa	Aa	A	Baa	Ba	B	Total	% of Total
2001 & Prior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2002	-	-	-	-	-	-	-	0%
2003	-	-	4,513	3,244	-	347	8,104	14%
2004	-	-	1,185	3,091	-	-	4,276	7%
2005	-	-	-	2,877	399	-	3,276	6%
2006	17,084	1,745	581	-	-	-	19,410	33%
2007	21,078	-	2,099	-	-	-	23,177	40%
Total	\$ 38,162	\$ 1,745	\$ 8,378	\$ 9,212	\$ 399	\$ 347	\$ 58,243	100%
% of Total	65%	3%	14%	16%	1%	1%	100%	

Commercial Mortgage Backed Securities - Carrying Value

	Aaa	Aa	A	Baa	Ba	B	Total	% of Total
2001 & Prior	\$ 5,015	\$ 7,095	\$ 6,769	\$ -	\$ -	\$ -	\$ 18,879	45%
2002	8,309	-	-	2,378	3,566	-	14,253	34%
2003	-	-	-	-	-	-	-	0%
2004	-	-	-	-	-	-	-	0%
2005	-	-	-	-	800	-	800	2%
2006	-	-	-	-	857	-	857	2%
2007	-	-	1,279	5,945	-	-	7,224	17%
Total	\$ 13,324	\$ 7,095	\$ 8,048	\$ 8,323	\$ 5,223	\$ -	\$ 42,013	100%
% of Total	32%	17%	19%	20%	12%	0%	100%	

Municipal Securities - Underlying Rating - Carrying Value

	Aaa	Aa	A	Baa	Ba	Not Rated	Total	% of Total
Insured	\$ 42,131	\$ 360,440	\$ 205,337	\$ 35,741	\$ 2,686	\$ 67,985	\$ 714,320	78%
Uninsured	23,194	62,775	83,497	29,159	1,722	-	200,347	22%
Total	\$ 65,325	\$ 423,215	\$ 288,834	\$ 64,900	\$ 4,408	\$ 67,985	\$ 914,667	100%
% of Total	7%	46%	32%	7%	1%	7%	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		
	12/31/07	12/31/06	12/31/07	12/31/06	12/31/05
Operating earnings	\$ 42,307	\$ 39,515	\$ 167,170	\$ 145,561	\$ 120,832
Net realized investment (losses) gains, net of taxes	(632)	664	(1,233)	(558)	5,852
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	(1,425)	-	-
Income from continuing operations	41,675	40,179	164,512	145,003	126,684
Discontinued operations, net of taxes	-	(3)	-	(2,935)	(13,350)
Net income (GAAP measure)	\$ 41,675	\$ 40,176	\$ 164,512	\$ 142,068	\$ 113,334
Diluted results per share of common stock:					
Operating earnings	\$ 0.82	\$ 0.77	\$ 3.24	\$ 2.86	\$ 2.40
Net realized investment (losses) gains, net of taxes	(0.01)	0.01	(0.02)	(0.01)	0.12
Loss on redemption of junior subordinated deferrable interest debentures, net of taxes	-	-	(0.03)	-	-
Income from continuing operations	0.81	0.78	3.19	2.85	2.52
Discontinued operations, net of taxes	-	-	-	(0.06)	(0.27)
Net income (GAAP measure)	\$ 0.81	\$ 0.78	\$ 3.19	\$ 2.79	\$ 2.25
Annualized operating earnings return on beginning equity	14.4%	14.0%	15.3%	14.1%	12.9%
Annualized net income return on beginning equity (GAAP measure)	14.2%	14.2%	15.1%	13.8%	12.1%
<u>Balance Sheet Data</u>			12/31/07	12/31/06	12/31/05
Shareholders' equity, excluding accumulated other comprehensive (loss) income			\$ 1,183,887	\$ 1,155,675	\$ 1,012,775
Add: Accumulated other comprehensive (loss) income			(42,497)	19,133	20,264
Shareholders' equity (GAAP measure)			\$ 1,141,390	\$ 1,174,808	\$ 1,033,039
Diluted book value per share of common stock, excluding accumulated other comprehensive (loss) income			\$ 24.07	\$ 23.35	\$ 20.58
Add: Accumulated other comprehensive (loss) income			(0.79)	0.35	0.38
Diluted book value per share of common stock (GAAP measure)			\$ 23.28	\$ 23.70	\$ 20.96