

DELPHI FINANCIAL GROUP INC/DE  
Form 10-K/A  
July 30, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K/A  
(Amendment No. 1)**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2008**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 001-11462  
DELPHI FINANCIAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(302) 478-5142

13-3427277

(State or other jurisdiction of  
incorporation or organization)

(Registrant's telephone number,  
including area code)

(I.R.S. Employer Identification  
Number)

1105 North Market Street, Suite 1230, P. O. Box 8985,  
Wilmington, Delaware

19899

(Address of principal executive offices)

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on  
which registered

Class A Common Stock, \$.01 par value

New York Stock Exchange

8.00% Senior Notes due May 15, 2033

New York Stock Exchange

7.376% Fixed-to-Floating Rate Junior Subordinated Debentures due May 1, 2067

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the  
Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of  
the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was  
required to file such reports) and (2) has been subject to filing requirements for the past 90 days. Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2008 was \$947,929,568.

As of February 13, 2009, the Registrant had 41,259,654 shares of Class A Common Stock and 5,753,833 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2009 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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**Explanatory Note**

The Registrant is filing this Amendment No. 1 on Form 10-K/A to its Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on March 2, 2009 (the 2008 Form 10-K ), for the sole purpose of correcting calculation errors relating to certain of the diluted book value per share amounts set forth under the Other Data heading in the table contained in Part II, Item 6 (Selected Financial Data). These errors did not affect any financial information other than diluted book value per share. The remainder of Part II, as well as Parts I, III and IV, have not changed and can be found in the 2008 Form 10-K. This Form 10-K/A does not reflect events occurring after the 2008 Form 10-K, nor does it modify or update the disclosures and information contained in the 2008 Form 10-K in any way other than described in this Explanatory Note.

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**Item 6. Selected Financial Data**

The selected financial data below should be read in conjunction with Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(dollars and shares in thousands, except per share data)				
<b>Income Statement Data<sup>(1)</sup>:</b>					
Insurance premiums and fee income:					
Core group employee benefit products	\$ 1,310,007	\$ 1,227,934	\$ 1,081,671	\$ 936,244	\$ 784,990
Non-core group employee benefit products <sup>(2)</sup>	33,016	39,658	42,455	24,918	16,066
Asset accumulation products	1,918	2,666	3,438	3,220	3,335
Other	39,949	33,903	29,014	25,829	23,686
	1,384,890	1,304,161	1,156,578	990,211	828,077
Net investment income <sup>(3)</sup>	134,850	270,547	255,871	223,569	202,444
Net realized investment (losses) gains <sup>(4)</sup>	(88,177)	(1,897)	(858)	9,003	15,460
Loss on redemption of junior subordinated deferrable interest debentures <sup>(5)</sup>	(598)	(2,192)			
Total revenue	1,430,965	1,570,619	1,411,591	1,222,783	1,045,981
Income from continuing operations <sup>(6)</sup>	36,683	164,512	145,003	126,684	121,400
Net income <sup>(6)</sup>	36,683	164,512	142,068	113,334	123,543
<b>Basic Results Per Share<sup>(1) (6)</sup>:</b>					
Income from continuing operations	\$ 0.76	\$ 3.27	\$ 2.92	\$ 2.58	\$ 2.53
Net income	0.76	3.27	2.86	2.31	2.58
Weighted average shares outstanding	48,278	50,269	49,631	49,008	47,928
<b>Diluted Results Per Share<sup>(1) (6)</sup>:</b>					
Income from continuing operations	\$ 0.75	\$ 3.19	\$ 2.85	\$ 2.52	\$ 2.46
Net income	0.75	3.19	2.79	2.25	2.50
Weighted average shares outstanding	48,963	51,579	50,939	50,267	49,412
<b>Other Data:</b>					
Cash dividends paid per share <sup>(7)</sup>	\$ 0.39	\$ 0.35	\$ 0.31	\$ 0.24	\$ 0.20
Diluted book value per share <sup>(8)</sup>	17.05	23.28	23.70	20.96	19.57

	2008	2007	December 31, 2006	2005	2004
	(dollars in thousands)				
<b>Balance Sheet Data:</b>					
Total investments	\$4,654,923	\$4,987,868	\$4,483,380	\$3,912,604	\$3,541,076
Total assets	5,953,873	6,094,810	5,670,475	5,276,170	4,829,467
Corporate debt	350,750	217,750	263,750	234,750	157,750
Junior subordinated debentures <sup>(9)</sup>	175,000	175,000			
Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries		20,619	59,762	59,762	59,762
Shareholders' equity <sup>(10)</sup>	820,579	1,141,390	1,174,808	1,033,039	939,848
Corporate debt to total capitalization ratio <sup>(11)</sup>	26.1%	14.0%	17.6%	17.7%	13.6%

(1) During the fourth quarter of 2005, the Company decided to exit its non-core property catastrophe reinsurance business, due to the volatility associated with such business and other strategic considerations, and has not thereafter entered into or renewed any assumed property reinsurance contracts. A substantial majority of these reinsurance contracts expired on or

before  
December 31,  
2005 and all of  
the remaining  
contracts  
expired prior to  
the end of the  
third quarter of  
2006; however,  
the Company  
remains liable  
for certain risks  
assumed under  
such contracts  
prior to their  
expiration. The  
Company has  
classified the  
operating results  
of this business  
as discontinued  
operations. See  
Other  
Transactions in  
Part I, Item 1 -  
Business and  
Note R to the  
Consolidated  
Financial  
Statements.

Net income includes (loss) income from discontinued operations, net of federal income tax (benefit) expense, as follows:

	2008	2007	Year Ended December 31,		2004
			2006	2005	
	(dollars in thousands, except per share data)				
(Loss) income from discontinued operations, net of income tax					
(benefit) expense	\$	\$	\$(2,935)	\$(13,350)	\$2,143
Basic per share amount			(0.06)	(0.27)	0.05
Diluted per share amount			(0.06)	(0.27)	0.04

(2) Non-core group employee benefit products include LPTs, primary workers compensation insurance, bail bond insurance, workers compensation reinsurance and reinsurance facilities. Premiums from non-core group employee benefit products include premiums from LPTs, which are episodic in nature, of \$3.3 million, \$14.7 million, \$20.9 million, \$10.4 million and \$5.3 million in 2008, 2007, 2006, 2005 and 2004, respectively. See Group Employee

Benefit Products  
and Reinsurance  
in Part I, Item 1-  
Business.

- (3) Extraordinary volatility in the investment markets in 2008 resulted in a significant decrease in net investment income. See Introduction in Part I, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.
- (4) In 2008, 2007, 2006, 2005 and 2004, the Company recognized pre-tax losses of \$78.6 million, \$4.1 million, \$4.2 million, \$4.2 million and \$3.9 million, respectively, due to the other than temporary declines in the market values of certain securities, which are reported as net realized investment losses.
- (5) In the first quarter of 2007, the Company redeemed

\$36.0 million of junior subordinated deferrable interest debentures and recognized a pre-tax loss of \$2.2 million in connection with this redemption. During the third quarter of 2008, the Company redeemed \$20.6 million of floating rate junior subordinated deferrable interest debentures and recognized a pre-tax loss of \$0.6 million in connection with this redemption.

- (6) During the second half of 2004, the Company's income taxes payable was reduced by \$6.6 million primarily from the favorable resolution of Internal Revenue Service ( IRS ) audits of the 1998 through 2002 tax years. This reduction represented the release of previous accruals for potential audit adjustments which were subsequently settled or

eliminated and the further refinement of existing tax exposures.

Income from continuing operations and net income include realized investment (losses) gains, net of federal income tax (benefit) expense and the loss on redemption of junior subordinated deferrable interest debentures, net of federal income tax benefit, as follows:

	2008	Year Ended December 31,			2004
		2007	2006	2005	
		(dollars in thousands, except per share data)			
Net realized investment (losses) gains, net of income tax (benefit) expense	\$ (57,315)	\$ (1,233)	\$ (558)	\$ 5,852	\$ 10,049
Basic per share amount	(1.19)	(0.03)	(0.01)	0.11	0.21
Diluted per share amount	(1.17)	(0.02)	(0.01)	0.12	0.21
Loss on redemption of junior subordinated deferrable interest debentures, net of income tax benefit	\$ (389)	\$ (1,425)	\$	\$	\$
Basic per share amount	(0.01)	(0.03)			
Diluted per share amount	(0.01)	(0.03)			

- (7) In 2001, the Company's Board of Directors approved the initiation of a quarterly cash dividend payable on the Company's outstanding Class A and Class B Common Stock and has subsequently increased the dividend rate from time to time. The quarterly cash dividend was \$0.03 per share during 2004. In

the first quarter of 2005, the Company's Board of Directors increased the cash dividend to \$0.06 per share. In the first quarter of 2006, the Company's Board of Directors increased the cash dividend to \$0.07 per share and subsequently increased it to \$0.08 per share in the second quarter of 2006. During the second quarter of 2007, the Company's Board of Directors increased the cash dividend to \$0.09 per share. During the second quarter of 2008, the Company's Board of Directors further increased the cash dividend to \$0.10 per share. During 2008, 2007, 2006, 2005 and 2004, the Company paid cash dividends on its capital stock in the amount of \$18.4 million, \$17.2 million, \$15.0 million, \$11.6 million and \$10.1 million, respectively. See Note J to the Consolidated Financial Statements.

(8) Diluted book value per share is calculated by dividing shareholders' equity (as determined in accordance with GAAP), as increased by the proceeds and tax benefit from the assumed exercise of outstanding in-the-money stock options, by total shares outstanding, also increased by shares issued upon the assumed exercise of the options and deferred shares.

(9) In May 2007, the Company issued \$175.0 million of 2007 Junior Debentures. See Other Transactions in Part I, Item 1 Business and Note I to the Consolidated Financial Statements.

(10)

As of January 1, 2007, the Company adopted 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, which 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. Internal replacement transactions that are determined to result in substantial changes to the replaced contracts are accounted for as extinguishments of the replaced contracts, and any unamortized deferred acquisition costs and other balances related to the replaced contracts are immediately recognized as expense in the income statement. The Company made a reduction to its retained earnings at January 1, 2007, the date of adoption of SOP 05-1, in the amount of \$82.6 million, net of an income tax benefit of \$44.5 million, which represents the net reduction in the deferred policy acquisition cost from internal replacements included in cost of business acquired on the consolidated balance sheet. See Note A to the Consolidated Financial Statements under the caption Cost of Business Acquired .

- (11) The corporate debt to total capitalization ratio is calculated by dividing long-term corporate debt by the sum of the

Company's long-term corporate  
debt, junior subordinated  
debentures, junior subordinated  
deferrable interest debentures  
underlying company-obligated  
mandatorily redeemable capital  
securities issued by  
unconsolidated  
subsidiaries/company-obligated  
mandatorily redeemable capital  
securities of subsidiaries and  
shareholders' equity.

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**Item 15. Exhibits**

- 31.1 Certification by the Chairman of the Board and Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) or 15d-14(a)
- 31.2 Certification by the Senior Vice President and Treasurer of Periodic Report Pursuant to Rule 13a-14(a) or 15d-14(a)

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Delphi Financial Group, Inc.

By: /s/ ROBERT ROSENKRANZ  
Chairman of the Board and  
Chief Executive Officer

By: /s/ THOMAS W. BURGHART  
Thomas W. Burghart  
Senior Vice President and Treasurer  
(Principal Accounting and Financial  
Officer)

Date: July 30, 2009

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