

DELPHI FINANCIAL GROUP INC/DE  
Form 8-K  
October 27, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 8-K  
CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 27, 2009**

**DELPHI FINANCIAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

Delaware

001-11462

13-3427277

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

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

19899

(Address of principal executive offices)

(ZIP Code)

Registrant's telephone number, including area code 302-478-5142

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On October 27, 2009, the Registrant issued a press release, a copy of which is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

Note: The information in this report (including the exhibit) is furnished pursuant to Item 2.02. Results of Operations and Financial Condition and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, unless incorporated by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

Exhibit Number Description of Exhibits

99.1 Registrant's October 27, 2009 press release.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DELPHI FINANCIAL GROUP, INC.

/s/ ROBERT ROSENKRANZ  
Robert Rosenkranz  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Date: October 27, 2009

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**DELPHI FINANCIAL GROUP, INC.**  
**Non-GAAP Financial Measures**  
**Reconciliation to GAAP**  
**(Unaudited; in thousands, except per share data)**

|   | Three Months Ended |            | Nine Months Ended |              |
|---|--------------------|------------|-------------------|--------------|
|   | 9/30/2009          | 9/30/2008  | 9/30/2009         | 9/30/2008    |
| <b>Income Statement Data</b>  |                    |            |                   |              |
| <b>Operating earnings (Non-GAAP measure)</b>  | \$ 53,621          | \$ 12,510  | \$ 147,268        | \$ 77,387    |
| Net realized investment losses, net of taxes  | (32,798)           | (21,931)   | (64,954)          | (38,789)     |
| Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries, net of taxes |                    | (389)      |                   | (389)        |
| <b>Net income (loss) (GAAP measure)</b>   | \$ 20,823          | \$ (9,810) | \$ 82,314         | \$ 38,209    |
| <b>Diluted results per share of common stock:</b>   |                    |            |                   |              |
| <b>Operating earnings (Non-GAAP measure)</b>  | \$ 1.00            | \$ 0.26    | \$ 2.91           | \$ 1.57      |
| Net realized investment losses, net of taxes  | (0.61)             | (0.45)     | (1.28)            | (0.78)       |
| Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries, net of taxes |                    | (0.01)     |                   | (0.01)       |
| <b>Net income (loss) (GAAP measure)</b>   | \$ 0.39            | \$ (0.20)  | \$ 1.63           | \$ 0.78      |
| <b>Annualized operating return on beginning shareholders equity</b>   | 20.4%              | 4.8%       | 23.9%             | 9.0%         |
| <b>Annualized net income return on beginning shareholders equity (GAAP measure)</b>   | 7.9%               | -3.8%      | 13.4%             | 4.5%         |
|   |                    |            | 9/30/2009         | 12/31/2008   |
| <b>Balance Sheet Data</b>   |                    |            |                   |              |
| <b>Shareholders equity, excluding accumulated other comprehensive loss</b>  |                    |            | \$ 1,379,365      | \$ 1,172,289 |
| Add: Accumulated other comprehensive loss   |                    |            | (46,303)          | (351,710)    |
| <b>Shareholders equity (GAAP measure)</b>   |                    |            | \$ 1,333,062      | \$ 820,579   |

**Diluted book value per share of common stock,  
excluding accumulated other comprehensive loss**

**(Non-GAAP measure)**

Add: Accumulated other comprehensive loss

|    |        |    |        |
|----|--------|----|--------|
| \$ | 24.80  | \$ | 24.27  |
|    | (0.81) |    | (7.22) |

**Diluted book value per share of common stock**

**(GAAP measure)**

|    |       |    |       |
|----|-------|----|-------|
| \$ | 23.99 | \$ | 17.05 |
|----|-------|----|-------|

Please see footnotes 1 and 2 of the press release to which this table is attached for important information regarding these non-GAAP financial measures.

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**DELPHI FINANCIAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited; in thousands, except per share data)**

|   | Three Months Ended |            | Nine Months Ended |              |
|---|--------------------|------------|-------------------|--------------|
|   | 9/30/2009          | 9/30/2008  | 9/30/2009         | 9/30/2008    |
| Revenue:  |                    |            |                   |              |
| Premium and fee income  | \$ 342,610         | \$ 345,028 | \$ 1,052,776      | \$ 1,028,092 |
| Net investment income   | 88,682             | 19,407     | 243,560           | 112,494      |
| Net realized investment losses:   |                    |            |                   |              |
| Total other than temporary impairment losses  | (73,771)           | (28,173)   | (137,007)         | (52,479)     |
| Less: Portion of other than temporary impairment losses recognized in other comprehensive income  | 21,748             |            | 42,467            |              |
| Net impairment losses recognized in earnings  | (52,023)           | (28,173)   | (94,540)          | (52,479)     |
| Other net realized investment gains (losses)  | 1,564              | (5,567)    | (5,389)           | (7,196)      |
|   | (50,459)           | (33,740)   | (99,929)          | (59,675)     |
| Loss on redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries |                    | (598)      |                   | (598)        |
|   | 380,833            | 330,097    | 1,196,407         | 1,080,313    |
| Benefits and expenses:  |                    |            |                   |              |
| Benefits, claims and interest credited to policyholders   | 240,956            | 244,042    | 748,361           | 730,709      |
| Commissions and expenses  | 109,680            | 99,824     | 325,076           | 284,400      |
|   | 350,636            | 343,866    | 1,073,437         | 1,015,109    |
| Operating income (loss)   | 30,197             | (13,769)   | 122,970           | 65,204       |
| Interest expense:   |                    |            |                   |              |
| Corporate debt  | 3,806              | 4,427      | 11,667            | 12,940       |
| Junior subordinated debentures  | 3,247              | 3,240      | 9,728             | 9,726        |
| Junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries                       |                    | 177        |                   | 934          |
| Income tax expense (benefit)  | 2,321              | (11,803)   | 19,261            | 3,395        |
| Net income (loss)   | \$ 20,823          | \$ (9,810) | \$ 82,314         | \$ 38,209    |

Basic results per share of common stock:

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|  |         |           |         |         |
|--|---------|-----------|---------|---------|
| Net income (loss)                          | \$ 0.39 | \$ (0.20) | \$ 1.63 | \$ 0.79 |
| Weighted average shares outstanding        | 52,947  | 47,936    | 50,376  | 48,379  |
| Diluted results per share of common stock: |         |           |         |         |
| Net income (loss)                          | \$ 0.39 | \$ (0.20) | \$ 1.63 | \$ 0.78 |
| Weighted average shares outstanding        | 53,385  | 47,936    | 50,617  | 49,259  |
| Dividends paid per share of common stock   | \$ 0.10 | \$ 0.10   | \$ 0.30 | \$ 0.29 |

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**DELPHI FINANCIAL GROUP, INC.**  
**SUMMARIZED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited; in thousands)**

|   | 9/30/2009    | 12/31/2008   |
|---|--------------|--------------|
| Assets:                                       |              |              |
| Investments:                                  |              |              |
| Fixed maturity securities, available for sale | \$ 4,608,184 | \$ 3,773,382 |
| Short-term investments                        | 572,802      | 401,620      |
| Other investments                             | 542,047      | 479,921      |
|   | 5,723,033    | 4,654,923    |
| Cash  | 82,269       | 63,837       |
| Cost of business acquired                     | 244,930      | 264,777      |
| Reinsurance receivables                       | 378,277      | 376,731      |
| Goodwill                                      | 93,929       | 93,929       |
| Other assets                                  | 320,428      | 409,103      |
| Assets held in separate account               | 109,016      | 90,573       |
| Total assets                                  | \$ 6,951,882 | \$ 5,953,873 |
| Liabilities and Shareholders' Equity:         |              |              |
| Policy liabilities and accruals               | \$ 2,771,885 | \$ 2,574,050 |
| Policyholder account balances                 | 1,452,332    | 1,356,932    |
| Corporate debt                                | 365,750      | 350,750      |
| Junior subordinated debentures                | 175,000      | 175,000      |
| Other liabilities and policyholder funds      | 740,539      | 581,954      |
| Liabilities related to separate account       | 109,016      | 90,573       |
| Total liabilities                             | 5,614,522    | 5,129,259    |
| Shareholders' equity:                         |              |              |
| Class A Common Stock                          | 559          | 489          |
| Class B Common Stock                          | 60           | 60           |
| Additional paid-in capital                    | 659,683      | 522,596      |
| Accumulated other comprehensive loss          | (46,303)     | (351,710)    |
| Retained earnings                             | 916,309      | 846,390      |
| Treasury stock, at cost                       | (197,246)    | (197,246)    |
| Total shareholders' equity                    | 1,333,062    | 820,579      |
| Noncontrolling interest                       | 4,298        | 4,035        |
| Total equity                                  | 1,337,360    | 824,614      |

|                              |              |              |
|------------------------------|--------------|--------------|
| Total liabilities and equity | \$ 6,951,882 | \$ 5,953,873 |
|------------------------------|--------------|--------------|

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**DELPHI FINANCIAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited; in thousands)**

|   | Nine Months Ended |             |
|---|-------------------|-------------|
|   | 9/30/2009         | 9/30/2008   |
| Operating activities:   |                   |             |
| Net income  | \$ 82,314         | \$ 38,209   |
| Adjustments to reconcile net income to net cash provided by operating activities:   |                   |             |
| Change in policy liabilities and policyholder accounts  | 225,538           | 194,967     |
| Net change in reinsurance receivables and payables  | (4,613)           | 18,901      |
| Amortization, principally the cost of business acquired and investments   | 38,295            | 46,601      |
| Deferred costs of business acquired   | (97,936)          | (94,043)    |
| Net realized losses on investments  | 99,929            | 59,675      |
| Net change in federal income tax liability  | 6,632             | (53,654)    |
| Other   | (14,101)          | 56,828      |
| Net cash provided by operating activities   | 336,058           | 267,484     |
| Investing activities:   |                   |             |
| Purchases of investments and loans made   | (1,206,214)       | (1,012,307) |
| Sales of investments and receipts from repayment of loans   | 177,957           | 348,569     |
| Maturities of investments   | 637,166           | 311,840     |
| Net change in short-term investments  | (171,162)         | (158,961)   |
| Change in deposit in separate account   | 4,845             | 10,547      |
| Net cash used by investing activities   | (557,408)         | (500,312)   |
| Financing activities:   |                   |             |
| Deposits to policyholder accounts   | 242,614           | 335,082     |
| Withdrawals from policyholder accounts  | (131,337)         | (83,382)    |
| Borrowings under revolving credit facility  | 17,000            | 79,000      |
| Principal payments under revolving credit facility  | (2,000)           | (6,000)     |
| Redemption of junior subordinated deferrable interest debentures underlying company-obligated mandatorily redeemable capital securities issued by unconsolidated subsidiaries |                   | (20,619)    |
| Proceeds from issuance of common stock  | 121,121           |             |
| Acquisition of treasury stock   |                   | (42,729)    |
| Cash dividends paid on Common Stock   | (14,767)          | (13,715)    |
| Other financing activities  | 7,151             | 3,200       |
| Net cash provided by financing activities   | 239,782           | 250,837     |
| Increase in cash  | 18,432            | 18,009      |
| Cash at beginning of period   | 63,837            | 51,240      |

|                       |           |           |
|-----------------------|-----------|-----------|
| Cash at end of period | \$ 82,269 | \$ 69,249 |
|-----------------------|-----------|-----------|