DELPHI FINANCIAL GROUP INC/DE
Form 424B5
January 15, 2010

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Filed pursuant to Rule 424(b)(5)
Registration Statement No. 333-156284

PROSPECTUS SUPPLEMENT
(To prospectus dated December 18, 2008)

$250,000,000
7.875% Senior Notes due 2020

This is an offering by Delphi Financial Group, Inc. of $250,000,000 of its 7.875% Senior Notes due 2020 (the notes). The notes will mature on January 31, 2020, and interest will be paid semi-annually in arrears on January 31 and July 31 of each year or, if such day is not a business day, on the next succeeding business day, commencing on July 31, 2010. Interest will accrue from January 20, 2010. We may redeem the notes in whole or in part at any time at the redemption prices described under Description of Notes Redemption at our Option on page S-16. For a more detailed description of the notes, see Description of Notes beginning on page S-14.

The notes will be unsecured and unsubordinated general obligations of Delphi Financial Group, Inc. and will rank equal in right of payment with all existing and future unsecured and unsubordinated senior debt of Delphi Financial Group, Inc. and senior in right of payment to all existing and future subordinated debt of Delphi Financial Group, Inc.

See Risk Factors beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying prospectus, and the risk factors described in our Securities and Exchange Commission filings that are incorporated by reference in the accompanying prospectus for a discussion of certain risks that you should consider in connection with an investment in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this prospectus supplement or the accompanying prospectus is truthful, accurate or complete. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Discounts and Commissions	Proceeds to us(2)
Per Note	99.995%	0.65%	99.345%
Total	$ 249,987,500	$ 1,625,000	$ 248,362,500

(1) Plus accrued interest, if any, from January 20, 2010.

(2) Before expenses in connection with the offering.

The notes are not, and are not expected to be, listed on any securities exchange nor included in any automated quotation system. Currently, there is no public market in the notes.

We expect that delivery of the notes will be made in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants against payment in New York, New York on or about January 20, 2010.

Joint Book-Running Managers

BofA Merrill Lynch **Wells Fargo Securities**

J.P. Morgan **U.S. Bancorp Investments, Inc.**

KeyBanc Capital Markets Inc.

SOCIETE GENERALE **The Williams Capital Group, L.P.**

Prospectus Supplement dated January 14, 2010

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You should rely only upon the information contained and incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectus that we may provide you in connection with the sale of notes offered hereby. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell or seeking offers to buy these notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus, any document incorporated by reference therein or in any free writing prospectus that we may provide you in connection with the sale of notes offered hereby is accurate only as of the date of that document. Our business, financial condition, results of operations and prospects may have changed since those dates.

No action has or will be taken in any jurisdiction by us or by the underwriters that would permit a public offering of the notes or possession or distribution of this prospectus supplement, the accompanying prospectus or any free writing prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Unless otherwise explicitly stated or the context otherwise requires, in this prospectus supplement or the accompanying prospectus references to dollars and $ are to United States dollars.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of the sale of notes offered hereby. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to the sale of notes offered hereby. You should read both this prospectus supplement and the accompanying prospectus, together with the documents and additional information described under the headings Where You Can Find More Information and Information Incorporated by Reference in the accompanying prospectus, and any free writing prospectus we may provide you in connection with this offering. If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

Unless otherwise indicated or the context otherwise requires, all references in this prospectus to we, us, our, and the Company refer to Delphi Financial Group, Inc. and its subsidiaries, collectively, and Delphi refers to Delphi Financial Group, Inc. only and not to any of its subsidiaries.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and in the accompanying prospectus. It does not contain all the information you will need in making your investment decision. You should carefully read this entire prospectus supplement, the accompanying prospectus, the financial statements and related notes thereto contained or incorporated by reference in this prospectus supplement and the other documents incorporated by reference in the accompanying prospectus. You should pay special attention to the Risk Factors and Description of Notes sections of this prospectus supplement, to the Risk Factors section in the accompanying prospectus and in our most recent Annual Report on Form 10-K, as updated by our Report on Form 10-Q for the quarterly period ended September 30, 2009.

The Company

We are a holding company whose subsidiaries provide integrated employee benefit services. We were organized as a Delaware corporation in 1987 and completed the initial public offering of our Class A Common Stock in 1990. The address of our principal executive offices is 1105 North Market Street, Suite 1230, Wilmington, Delaware 19899, and our telephone number at this address is (302) 478-5142. We manage a wide range of aspects of employee absence to enhance the productivity of our clients and provide the related insurance coverages: long-term and short-term disability, excess workers compensation, group life, travel accident and dental. Our asset accumulation business emphasizes individual fixed annuity products. We offer our products and services in all fifty states, the District of Columbia and Canada. Our two reportable segments are group employee benefit products and asset accumulation products.

Our operating strategy is to offer financial products and services which have the potential for significant growth, which require specialized expertise to meet the individual needs of our customers and which we believe provide us the opportunity to achieve superior operating earnings growth and returns on capital. We have concentrated our efforts within certain niche insurance markets, primarily group employee benefits for small to mid-sized employers. We also market our group employee benefit products and services to large employers, emphasizing unique programs that integrate both employee benefit insurance coverages and absence management services. We also operate an asset accumulation business that focuses primarily on offering fixed annuities to individuals planning for retirement as well as the issuance of funding agreements in connection with the offering of funding agreement-backed notes to institutional investors.

Our primary operating subsidiaries are as follows:

Reliance Standard Life Insurance Company (RSLIC) and its subsidiary, First Reliance Standard Life Insurance Company, underwrite a diverse portfolio of disability, group life, travel accident and dental insurance products targeted principally to the employee benefits market. RSLIC also markets asset accumulation products, primarily fixed annuities, to individuals and groups.

Safety National Casualty Corporation (SNCC) focuses primarily on providing excess workers compensation insurance to the self-insured market. In 2001, SNCC formed an insurance subsidiary, Safety First Insurance Company, which also focuses on selling excess workers compensation products to the self-insured market.

Matrix Absence Management, Inc. (Matrix), founded in 1987, provides integrated disability and absence management services to the employee benefits market across the United States. We acquired Matrix in 1998.

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Offering Summary

Issuer	Delphi Financial Group, Inc.
Notes offered	7.875% Senior Notes due 2020
Aggregate Principal Amount	$250,000,000
Maturity Date	January 31, 2020
Interest Rate	7.875% per annum
Interest Payment Dates	Interest will be payable semiannually in arrears on January 31 and July 31 of each year, commencing July 31, 2010.
Interest Rate Adjustment:	If the rating on the notes from Moody s Investors Service, Inc., which we refer to as Moody s, Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc., which we refer to as S&P, or Fitch Ratings, which we refer to as Fitch, is a rating set forth in the immediately following table, the per annum interest rate on the notes will increase from that set forth herein by the percentage set forth opposite that rating; however, for this purpose, only the two lowest of the rating levels of Moody s, S&P and Fitch shall be taken into account:

Rating		Rating Agency		
Levels	Moody s	S&P	Fitch	Percentage
1	Ba1	BB+	BB+	0.25%
2	Ba2	BB	BB	0.50%
3	Ba3	BB−	BB−	0.75%
4	B1 or below	B+ or below	B+ or below	1.00%

If any of Moody s, S&P or Fitch subsequently increases its rating with respect to the notes to or above any of the threshold ratings set forth above, the per annum interest rate on such notes will be decreased such that the per annum interest rate equals the interest rate set forth herein plus the percentages (if any) applicable to the lowest two ratings levels of Moody s, S&P and Fitch in effect immediately following the increase.

Each adjustment required by any decrease or increase in a rating set forth above, whether occasioned by the action of Moody s, S&P or Fitch, shall be made independent of any and all other adjustments. In no event shall (1) the per annum interest rate on the notes be reduced below the interest rate set forth herein, and (2) the total increase in the per annum interest rate on the notes exceed 2.00% above the interest rate set forth herein.

If any two of Moody s, S&P or Fitch ceases to provide a rating of the notes, any subsequent increase or decrease in the interest rate of the notes necessitated by a reduction or increase in the rating by the agency continuing to provide the rating shall be twice the percentage set forth in the applicable table above.

No adjustments in the interest rate of the notes shall be made solely as a result of Moody s, S&P or Fitch ceasing to provide a rating. If all of Moody s, S&P and Fitch cease to provide a rating of the notes, the interest rate on the notes will increase to, or remain at,

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	as the case may be, 2.00% above the interest rate payable on the notes on the date of their issuance. Any interest rate increase or decrease described above will take effect from the first business day of the interest period during which a rating change requires an adjustment in the interest rate. If any of Moody s, S&P or Fitch changes its rating of the notes more than once during any particular interest period, the last such change to occur will control in the event of a conflict. The interest rate on the notes will permanently cease to be subject to any adjustment described above (notwithstanding any subsequent decrease in the ratings by either or both rating agencies) if the notes become rated A3, A- or A- or higher by any two of Moody s, S&P and Fitch, respectively (or one of these ratings if only rated by one rating agency), with a stable or positive outlook by both such rating agencies.
Day Count Convention	30/360
Business Day Convention	Following
Trustee	U.S. Bank National Association
Ranking	The notes will be our unsecured and unsubordinated general obligations and will rank equal in right of payment with all our existing and future unsecured and unsubordinated senior debt, including amounts outstanding under our revolving credit facility and our 8.00% Senior Notes due 2033 (the 2033 Senior Notes), and senior in right of payment to all of our existing and future subordinated debt. We are a holding company and conduct substantially all of our operations through subsidiaries. The notes will effectively rank junior to any of our secured indebtedness and to all existing and future liabilities of our subsidiaries, including amounts owed to policyholders and trade payables.
Optional Redemption	The notes may be redeemed in whole at any time or in part from time to time, at our option, at a redemption price equal to the greater of: 100% of the principal amount of the notes then outstanding to be redeemed; and the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (not including any portion of such payments of interest accrued to the date of redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable treasury rate plus 50 basis points,

	plus, in each case, accrued and unpaid interest on the principal amount being redeemed to the redemption date.
Certain Covenants	The indenture governing the notes will contain certain negative covenants that apply to us; however, the limitation on liens and the limitation on consolidation, merger and sale of assets covenants

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contain important exceptions. See Description of Notes Limitations upon Liens and Consolidation, Merger and Sale of Assets in this prospectus supplement.

Ratings	It is expected that on the issue date, S&P will rate the notes BBB , Moody s will rate the notes Baa3 and Fitch will rate the notes BBB− . A security rating is not reflective of the market price, fair market value or suitability of the notes for a particular investor, and therefore a security rating is not a recommendation to buy, sell or hold securities.
Events of Default	Events of default will generally include failure to pay principal or any premium, failure to pay interest, failure to observe or perform any other covenants or agreement in the notes or the indenture, failure to pay principal at maturity with respect to a different series of debt securities issued under the senior indenture, the indenture relating to the 2033 Senior Notes or the indenture relating to the 7.376% Junior Debentures due 2067 (the 2007 Junior Debentures) and certain events of bankruptcy, insolvency, or reorganization.
Use of Proceeds	We estimate the net proceeds to us from the sale of the notes to be approximately $247,662,500 after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering for general corporate purposes, including the repayment of corporate debt, which may include the repayment of debt outstanding under our revolving credit facility. See Use of Proceeds in this prospectus supplement.
Denominations	$2,000 and integral multiples of $1,000 in excess thereof.
Clearance and Settlement	The notes will be cleared through The Depository Trust Company (DTC), for the accounts of its participants.
Listing	The notes are not, and are not expected to be, listed on any national securities exchange nor included in any automated quotation system. Currently there is no public market for the notes.
Additional Issuances	We may create and issue additional notes ranking equally and ratably with the notes offered by this prospectus supplement in all respects, so that such additional notes will be consolidated and form a single series with the notes offered by this prospectus supplement and will have the same terms as to status, redemption or otherwise, *provided* that if such additional notes are not fungible with the original notes for United States federal income tax purposes, such additional notes will have a separate CUSIP number.
Risk Factors	You should consider carefully the information set forth in the section entitled Risk Factors beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying prospectus and those risk factors described in our Securities and Exchange Commission filings that are

incorporated by reference in the accompanying prospectus and other information as provided under Where You Can Find More Information in the accompanying prospectus.

Governing Law	The notes and the indenture will be governed by the laws of the State of New York.
Conflicts of Interest	Banc of America Securities LLC, J.P. Morgan Securities Inc., KeyBanc Capital Markets Inc., SG Americas Securities, LLC, U.S. Bancorp Investments, Inc. and Wells Fargo Securities, LLC may have conflicts of interest as defined in National Association of Securities Dealers (NASD) Rule 2720(f)(5)(C)(i), as they or their respective affiliates may be receiving 5% or more of the net offering proceeds if and to the extent we use such amounts to repay indebtedness outstanding under our revolving credit facility, under which they or their respective affiliates are lenders and/or agents. Consequently, this offering will be made in compliance with NASD Rule 2720. No underwriter having a NASD Rule 2720 conflict of interest will confirm sales to any account over which the underwriter exercises discretionary authority without the prior written approval of the customer to which the account relates.

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SUMMARY FINANCIAL DATA

The following sets forth our summary consolidated financial data as of and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 and the nine months ended September 30, 2009 and 2008. The financial data has been derived from our audited consolidated financial statements or our unaudited interim consolidated financial statements for the periods specified. In the opinion of management, the summary consolidated financial data as of and for the nine months ended September 30, 2009 and 2008 include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of operations for the interim periods presented. Financial results for the nine-month periods may not be indicative of financial results for the full year, and historical results of operations may not be indicative of results to be expected for any future period.

You should read this information in conjunction with our consolidated financial statements, the related notes and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical financial statements and related notes in our Annual Report on Form 10-K, filed on March 2, 2009 and as amended on Form 10-K/A filed on July 30, 2009, and our Quarterly Reports on Form 10-Q for the quarterly periods ended on March 31, 2009, June 30, 2009 and September 30, 2009, each of which is incorporated herein by reference into this prospectus supplement and the accompanying prospectus.

	Nine Months Ended September 30,		**Year Ended December 31,**				
	2009	**2008**	**2008**	**2007**	**2006**	**2005**	**2004**
	(Dollars in thousands)						
Income Statement Data:							
Insurance premiums and fee income:							
Core group employee benefit products	$ 1,013,438	$ 991,416	$ 1,332,376	$ 1,245,548	$ 1,093,992	$ 940,833	$ 786,927
Non-core group employee benefit products	6,219	6,300	10,647	22,044	30,134	20,329	14,129
Asset accumulation products	1,131	1,457	1,918	2,666	3,438	3,220	3,335
Other	31,988	28,919	39,949	33,903	29,014	25,829	23,686
	1,052,776	1,028,092	1,384,890	1,304,161	1,156,578	990,211	828,077
	243,560	112,494	134,850	270,547	255,871	223,569	202,444

Net investment income							
Net realized investment (losses) gains	(99,929)	(59,675)	(88,177)	(1,897)	(858)	9,003	15,460
Loss on redemption of junior subordinated deferrable interest debentures		(598)	(598)	(2,192)			
Total revenue	1,196,407	1,080,313	1,430,965	1,570,619	1,411,591	1,222,783	1,045,981
Income from continuing operations	82,314	38,209	36,683	164,512	145,003	126,684	121,400
Net income	82,314	38,209	36,683	164,512	142,068	113,334	123,543

	September 30,				**December 31,**		
	2009	**2008**	**2008**	**2007**	**2006**	**2005**	**2004**
				(Dollars in thousands)			
ance Sheet a:							
al investments	$ 5,723,033	$ 4,766,470	$ 4,654,923	$ 4,987,868	$ 4,483,380	$ 3,912,604	$ 3,541,07
al assets	6,951,882	5,938,909	5,953,873	6,094,810	5,670,475	5,276,170	4,829,46
porate debt	365,750	290,750	350,750	217,750	263,750	234,750	157,75
ior subordinated entures	175,000	175,000	175,000	175,000			
ior subordinated errable interest entures erlying npany-obligated ndatorily eemable capital urities issued by onsolidated sidiaries				20,619	59,762	59,762	59,76
reholders equity	1,333,062	889,077	820,579	1,141,390	1,174,808	1,033,039	939,84
porate debt to l capitalization o	19.5%	21.5%	26.1%	14.0%	17.6%	17.7%	13.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated:

	Nine Months Ended September 30,		Year Ended December 31,					
	2009	2009(1) Pro Forma	2008	2008(1) Pro Forma	2007	2006	2005	2004
Ratio of earnings to fixed charges	4.60x	3.33x	3.18x	2.52x	8.28x	7.66x	8.62x	8.89x

(1) The ratio of earnings to fixed charges for the year ended December 31, 2008 and nine months ended September 30, 2009 have been adjusted on a pro forma basis assuming the $250.0 million principal amount of the notes being offered hereby were outstanding since January 1, 2008 and the use of proceeds were applied as set forth under Use of Proceeds on January 1, 2008.

For the purpose of computing the above ratios, earnings consist of income from continuing operations before income taxes excluding income or loss from equity investees, plus fixed charges. Fixed charges consist of interest expense and such portion of rental expense as is estimated to be representative of the interest factors in the leases, all on a pre-tax basis.

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RISK FACTORS

Investing in our notes involves risks. In deciding whether to invest in our notes, you should carefully consider the following risk factors and the risk factors included under the caption Risk Factors (or any similar caption) in the accompanying prospectus and in our Securities and Exchange Commission filings that are incorporated by reference in the accompanying prospectus, in addition to the other information contained in this prospectus supplement and the accompanying prospectus and the information incorporated by reference in the accompanying prospectus. The risks and uncertainties described below, in the accompanying prospectus and under the caption Risk Factors (or any similar caption) in such Securities and Exchange Commission filings that are incorporated by reference herein are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of these risks occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, the value of our notes and your investment could decline.

Risks related to the notes

We are an insurance holding company that depends on the ability of our subsidiaries to pay dividends to us in order to service our indebtedness.

We act as a holding company for our insurance subsidiaries and do not have any significant operations of our own. Therefore, our ability to make payments in respect of our indebtedness and fund our other cash requirements depends in large part upon receipt of sufficient funds from our subsidiaries, as well as upon our financial resources and other sources of liquidity at the holding company level.

The payment of dividends and other distributions to us by each of our insurance subsidiaries is regulated by insurance laws and regulations. In general, dividends in excess of prescribed limits are deemed extraordinary and require insurance regulatory approval. In addition, insurance regulators may prohibit the payment of ordinary dividends or other payments by our insurance subsidiaries to us if they determine that such payment could be adverse to policyholders or contractholders. See Liquidity and Capital Resources in Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Regulation in Part I, Item 1 Business in our most recent annual report on Form 10-K.

These limitation and restrictions could adversely affect our ability to meet our debt service obligations.

Your right to receive payments under the notes will be unsecured and will be effectively subordinated to any of our secured indebtedness and to all indebtedness and other liabilities of our subsidiaries.

The notes will be unsecured and therefore will be effectively subordinated to any secured debt we may incur to the extent of the assets securing such debt. In the event of a liquidation, dissolution, reorganization, bankruptcy or similar proceeding involving us, the assets which serve as collateral for any secured debt will be available to satisfy the obligations under the secured debt before any payments are made on the notes. The terms of the indenture governing the notes will not contain restrictions or limitations on our ability to incur additional secured or unsecured debt.

In addition, the notes will be effectively subordinated to all indebtedness and other liabilities of our subsidiaries. Our