DELPHI FINANCIAL GROUP INC/DE
Form PREM14A
January 13, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Delphi Financial Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Class A common stock, par value $0.01 per share, of Delphi Financial Group, Inc. (Class A common stock)

Class B common stock, par value $0.01 per share, of Delphi Financial Group, Inc. (Class B common stock)

(2) Aggregate number of securities to which transaction applies:

(a) (i) 48,978,715 shares of Class A common stock, (ii) 7,137,427 options to purchase shares of Class A common stock, (iii) 272,048 restricted shares of Class A common stock and (iv) 211,241 shares of Class A common stock subject to restricted stock unit awards or share unit awards.

(b) (i) 6,111,557 shares of Class B common stock, (ii) 1,324,751 options to purchase shares of Class B common stock and (iii) 654,236 shares of Class B common stock subject to deferred shares.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The maximum aggregate value was determined based upon the sum of: (A) (i) 48,978,715 shares of Class A common stock multiplied by $44.875 per share (consisting of the Class A merger consideration and a $1.00 special dividend), (ii) 7,137,427 options to purchase shares of Class A common stock multiplied by $18.1098 (which is the difference between $44.875 and the weighted average exercise price of $26.7652 per share), (iii) 272,048 restricted shares of Class A common stock multiplied by $44.875 per share and (iv) 211,241 shares of Class A common stock subject to restricted stock unit awards or share unit awards multiplied by $44.875 per share and (B) (i) 6,111,557 shares of Class B common stock multiplied by $53.875 per share (consisting of the Class B merger consideration and a $1.00 special dividend), (ii) 1,324,751 options to purchase shares of Class B common stock multiplied by $22.1775 (which is the difference between $53.875 and the weighted average exercise price of $31.6975 per share) and (iii) 654,236 shares of Class B common stock subject to deferred shares multiplied by $53.875 per share.

In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.00011460 by the sum of the preceding sentence.

(4) Proposed maximum aggregate value of transaction:

$2,742,751,568

(5) Total fee paid:

$314,319.33

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY PROXY MATERIALS SUBJECT TO COMPLETION

[ ], 2012

Dear Stockholder:

It is a pleasure to invite you to attend a special meeting of stockholders of Delphi Financial Group, Inc., a Delaware corporation (Delphi, the Company, we, us, or our), to be held on [ ], 2012, at [ ], commencing at [ ] a.m., local time. We hope that you will be able to attend.

On December 21, 2011, we entered into an Agreement and Plan of Merger (the merger agreement) with Tokio Marine Holdings, Inc., a Japanese corporation (Tokio Marine), and TM Investment (Delaware) Inc., a Delaware corporation and a wholly owned subsidiary of Tokio Marine (Merger Sub), providing for the merger of Merger Sub with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Tokio Marine. At the special meeting, we will ask you to adopt and approve the merger agreement and approve other proposals related to the merger.

The proxy statement accompanying this letter provides you with more specific information concerning the special meeting, the merger agreement and the transactions contemplated by the merger agreement, including the merger and the certificate amendment. We encourage you to read the accompanying proxy statement carefully. This proxy statement is dated [ ], 2012 and is first being mailed to our stockholders on or about [ ], 2012.

If the merger is completed, (1) each share of Class A common stock, other than shares of Class A common stock owned by (a) the Company, Tokio Marine or any of their respective wholly owned subsidiaries, in each case not held on behalf of third parties, and (b) stockholders who have properly demanded appraisal rights under the General Corporation Law of the State of Delaware, will be converted into the right to receive $43.875 in cash, without interest and less any applicable withholding taxes, and (2) each share of Class B common stock, other than shares of Class B common stock owned by (a) the Company, Tokio Marine or any of their respective wholly owned subsidiaries, in each case not held on behalf of third parties, and (b) stockholders who have properly demanded appraisal rights under the General Corporation Law of the State of Delaware, will be converted into the right to receive $52.875 in cash, without interest and less any applicable withholding taxes. In addition, the merger agreement provides that record holders of Class A common stock and Class B common stock immediately prior to the effective time of the merger will be entitled to receive $1.00 in cash per share pursuant to a one-time special dividend from Delphi, contingent upon the completion of the merger and to be paid shortly after closing. In order for the merger to occur, the Company s certificate of incorporation must be amended to permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger as contemplated by the merger agreement. The merger will not take place unless the amendment to the Company s certificate of incorporation is adopted by Delphi s stockholders.

A Special Committee of our board of directors, consisting entirely of independent directors, carefully negotiated, reviewed and considered the terms and conditions of the merger agreement and the transactions contemplated by the merger agreement. The Special Committee unanimously determined that (1) it is advisable and in the best interests of the Class A stockholders and the Company that the Company enter into the merger agreement and that the merger and the terms thereof, together with all of the other transactions contemplated by the merger agreement, including the certificate amendment, are fair and in the best interests of the Class A stockholders and the Company, (2) the consideration to be received in the merger is fair to the Class A stockholders (taking into account the higher consideration to be paid to the Class B stockholders) and (3) the premium to be paid to the Class B stockholders is fair to the Class A stockholders. The Special Committee also recommended that our board of directors approve and declare the advisability of the merger agreement and the transactions contemplated by the merger agreement, and recommends that our stockholders adopt the merger agreement and the certificate amendment and that the unaffiliated stockholders approve the merger agreement. Our board of directors, after careful consideration and acting after having received the unanimous recommendation of the Special Committee, deemed and declared it advisable and in the best interests of the Company and its stockholders that the Company enter into the merger agreement, determined that the merger and the terms thereof, together with all of the other transactions contemplated by the merger agreement, including the

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certificate amendment, are advisable and in the best interests of the Company and its stockholders, and recommends that our stockholders adopt the merger agreement and the certificate amendment and that the unaffiliated stockholders approve the merger agreement at the special meeting.

At the special meeting of Delphi stockholders, you will be asked to vote on a proposal to adopt and approve the merger agreement, a proposal to amend Delphi s certificate of incorporation, and certain other matters. **The Special Committee unanimously recommends and our board of directors (after having received the unanimous recommendation of the Special Committee) also recommends that Delphi stockholders vote FOR the adoption of the merger agreement and the approval of the merger agreement by the unaffiliated stockholders and FOR the adoption of the amendment to the Company s certificate of incorporation. In addition, our board of directors recommends that Delphi stockholders vote FOR a non-binding, advisory proposal to approve the compensation that may become payable to Delphi s named executive officers in connection with the completion of the merger (this non-binding, advisory proposal relates only to already existing contractual obligations of the Company that may result in a payment to Delphi s named executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between Delphi s named executive officers and Tokio Marine or, following the merger, the Company and its subsidiaries). The merger is conditional upon the adoption of the amendment to the Company s certificate of incorporation.**

The merger cannot be completed unless the merger agreement is both (1) adopted by holders of a majority of the voting power of the outstanding shares of the Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) approved by holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock, any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine, Merger Sub or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act of 1934, as amended)), voting as a single class.

The merger also cannot be completed unless the certificate amendment is adopted by both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including shares of Class A common stock beneficially owned by Mr. Robert Rosenkranz and our other directors and executive officers), voting as a single class.

More information about the merger is contained in the accompanying proxy statement and a copy of the Agreement and Plan of Merger and the proposed amendment to Delphi s certificate of incorporation are attached thereto as Annex A and Annex D, respectively.

Your vote is very important regardless of the number of shares of common stock that you own. Failure to vote will have the same effect as a vote against the proposal to adopt and approve the merger agreement and the proposal to adopt the certificate amendment. The enclosed proxy card contains instructions regarding voting. Whether or not you plan to attend the special meeting, please take the time to submit your proxy by completing and mailing to us the enclosed proxy card as soon as possible. If your shares are held in an account at a broker, bank, trust company or other nominee, you should instruct your broker, bank, trust company or other nominee how to vote your shares using the separate voting instruction form furnished by your broker, bank, trust company or other nominee.

Sincerely,

Edward A. Fox
Director and Chairman of the Special Committee

and the Special Committee Sub-Committee

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in the proxy statement. Any representation to the contrary is a criminal offense.

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DELPHI FINANCIAL GROUP, INC.

1105 North Market Street, Suite 1230

Wilmington, Delaware 19801

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [ ], 2012

To the Stockholders of Delphi Financial Group, Inc.:

Notice is hereby given that a special meeting of stockholders of Delphi Financial Group, Inc. will be held at [ ] on [ ], 2012, commencing at [ ], local time, for the following purposes:

1. To consider and vote on a proposal to adopt and approve the Agreement and Plan of Merger, dated as of December 21, 2011, among Delphi Financial Group, Inc., Tokio Marine Holdings, Inc. and TM Investment (Delaware) Inc. (as amended from time to time).

2. To consider and vote on a proposal to adopt an amendment to Delphi s certificate of incorporation to permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger as contemplated by the merger agreement.

3. To consider and vote on a non-binding, advisory proposal to approve the compensation that may become payable to Delphi s named executive officers in connection with the completion of the merger (this non-binding, advisory proposal relates only to already existing contractual obligations of Delphi that may result in a payment to Delphi s named executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between Delphi s named executive officers and Tokio Marine or, following the merger, Delphi and its subsidiaries).

4. To vote on a proposal to approve the adjournment of the special meeting, if necessary or desirable, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt and approve the merger agreement or adopt the certificate amendment.

5. To transact such other business as may properly be submitted for stockholder action by or at the direction of Delphi s board of directors.

For more information about the merger and the other transactions contemplated by the merger agreement, including the certificate amendment, please carefully review the accompanying proxy statement and the Agreement and Plan of Merger and the proposed amendment to Delphi s certificate of incorporation attached thereto as Annex A and Annex D, respectively.

IMPORTANT NOTICE OF INTERNET AVAILABILITY

The proxy statement for the special meeting to be held on [ ], 2012 is available free of charge at *www.delphifin.com/financial/proxymaterials.html*.

Only stockholders of record at the close of business on [ ], 2012, which is the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and at any adjournment or postponement thereof. All stockholders who are entitled to vote are urged to do so at the meeting or by proxy.

The merger cannot be completed unless the merger is both (1) adopted by the affirmative vote of holders of a majority of the voting power of the outstanding shares of the Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) approved by the affirmative vote of holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock,

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any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine, Merger Sub or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act of 1934, as amended)), voting as a single class. The merger is conditional upon the adoption of the certificate amendment. The adoption of the certificate amendment requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including shares of Class A common stock beneficially owned by Mr. Robert Rosenkranz and our other directors and executive officers), voting as a single class. The approval of the non-binding, advisory proposal to approve the compensation that may become payable to Delphi s named executive officers in connection with the completion of the merger (this non-binding, advisory proposal relates only to already existing contractual obligations of Delphi that may result in a payment to Delphi s named executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between Delphi s named executive officers and Tokio Marine or, following the merger, Delphi and its subsidiaries) and the approval of the adjournment of the special meeting each require approval by a majority of the votes cast affirmatively or negatively on those proposals at the special meeting.

Stockholders who do not vote in favor of adoption of the merger agreement will have the right to seek appraisal and receive the fair value of their shares as determined by the Court of Chancery of the State of Delaware, if the merger closes, but only if they perfect their appraisal rights by complying with the required procedures under Delaware law, which are summarized in the accompanying proxy statement.

Your vote is very important regardless of the number of shares of common stock you own. Failure to vote will have the same effect as a vote against the proposal to adopt and approve the merger agreement and the proposal to adopt the certificate amendment. Your attendance at this meeting is very much desired. If you plan to attend the meeting and you are a registered stockholder, please be prepared to provide proper identification, such as a driver s license. If you plan to attend the meeting and you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or letter from your broker, bank, trust company or other nominee, along with proper identification. Stockholders will not be allowed to use cameras, recording devices and other similar electronic devices at the meeting. However, whether or not you plan to attend the special meeting, please take the time to submit a proxy by following the instructions on your proxy card as soon as possible. If your shares of common stock are held in an account at a broker, bank, trust company or other nominee, you should instruct your broker, bank, trust company or other nominee how to vote in accordance with the voting instruction form furnished by your broker, bank, trust company or other nominee.

By Order of the Special Committee

and the Board of Directors,

Chad W. Coulter
Senior Vice President, General Counsel and Secretary

[ ], 2012

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DELPHI FINANCIAL GROUP, INC.

1105 North Market Street, Suite 1230

Wilmington, Delaware 19801

SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [ ], 2012

PROXY STATEMENT

This proxy statement contains information relating to a special meeting of stockholders of Delphi Financial Group, Inc. (the Company , Delphi , we , us or our), which will be held at [ ] on [ ], 2012, commencing at [ ], local time. We are furnishing this proxy statement to stockholders of Delphi Financial Group, Inc. as part of the solicitation of proxies by the Company s board of directors for use at the special meeting. This proxy statement is dated [ ], 2012 and is first being mailed to stockholders on or about [ ], 2012.

SUMMARY

Except as otherwise specifically noted, Company , Delphi , we , our , us and similar words in this proxy statement refer to Delphi Financial Group, Inc. In addition, we refer to Tokio Marine Holdings, Inc. as Tokio Marine and to TM Investment (Delaware) Inc. as Merger Sub . We refer to the Agreement and Plan of Merger, dated as of December 21, 2011, among the Company, Tokio Marine and Merger Sub, as it may be amended from time to time, as the merger agreement , and the merger contemplated by the merger agreement as the merger . We refer to the proposed amendment to the Company s certificate of incorporation to permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger, as contemplated by the merger agreement, as the certificate amendment .

This summary highlights only selected information from this proxy statement and may not contain all of the information that is important to you as a stockholder. We encourage you to read carefully this entire document and the documents to which we have referred you, including the annexes to this proxy statement, for a more complete understanding of the matters to be considered at the special meeting. The information contained in this summary is qualified in its entirety by the more detailed information contained in this proxy statement. Page references are included in parentheses to direct you to a more complete discussion in this proxy statement of the topics presented in this summary.

The Parties to the Merger (page 38)

Delphi Financial Group, Inc.

Delphi Financial Group, Inc., a Delaware corporation, is a financial services company focused on specialty insurance and insurance-related businesses. 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, life, excess workers compensation for self-insured employers, large casualty programs including large deductible workers compensation, travel accident, dental and limited benefit health insurance. Delphi s asset accumulation business emphasizes individual annuity products.

Tokio Marine Holdings, Inc.

Tokio Marine Holdings, Inc., the ultimate holding company of the Tokio Marine Group, is incorporated in Japan and is listed on both the Tokyo and Osaka Stock Exchanges. The Tokio Marine Group operates in the property and casualty insurance, reinsurance and life insurance sectors globally with a presence in approximately

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40 countries/areas. Consolidated net premiums written of the Tokio Marine Group for the fiscal year 2010 was approximately Yen 2.3 trillion (approximately U.S. $30 billion, based on exchange rates at the end of September 2011). Tokio Marine Group s main operating subsidiary, Tokio Marine & Nichido Fire, was founded in 1879 and is the oldest and largest property and casualty insurer in Japan. Tokio Marine & Nichido Fire conducts business in the United States mainly through its U.S. branch.

TM Investment (Delaware) Inc.

TM Investment (Delaware) Inc. is a Delaware corporation that was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. It is an indirect wholly owned subsidiary of Tokio Marine. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

The Merger

On December 21, 2011, the Company, Tokio Marine and Merger Sub entered into the merger agreement, which is the legal document governing the proposed merger. A copy of the merger agreement is attached as Annex A to this proxy statement. We encourage you to read the entire merger agreement carefully because it is the principal document governing the merger. For more information on the merger and the merger agreement, please see the sections titled The Merger beginning on page 38 and The Merger Agreement beginning on page 105.

Structure of the Merger (page 105)

Upon the terms and subject to the conditions of the merger agreement, Merger Sub will be merged with and into the Company, with the Company surviving the merger. As a result of the merger, we will become an indirect wholly owned subsidiary of Tokio Marine and our Class A common stock will cease to be listed on the NYSE and will be deregistered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act .

Merger Consideration (page 106)

In the merger:

- each share of Class A common stock issued and outstanding immediately prior to the merger (other than (1) shares of Class A common stock owned by the Company, Tokio Marine or any of their respective wholly owned subsidiaries, in each case not held on behalf of third parties, and (2) shares in respect of which appraisal rights have been properly demanded and those demands not effectively withdrawn) will be converted into the right to receive $43.875 in cash, without interest and less any applicable withholding taxes, which we refer to as the Class A Merger Consideration ; and

- each share of Class B common stock issued and outstanding immediately prior to the merger (other than (1) shares of Class B common stock owned by the Company, Tokio Marine or any of their respective wholly owned subsidiaries, in each case not held on behalf of third parties, and (2) shares in respect of which appraisal rights have been properly demanded and those demands not effectively withdrawn) will be converted into the right to receive $52.875 in cash, without interest and less any applicable withholding taxes, which we refer to as the Class B Merger Consideration.

The merger agreement provides that record holders of common stock immediately prior to the effective time of the merger will be entitled to receive $1.00 in cash per share pursuant to a one-time special dividend from Delphi, contingent upon the completion of the merger and to be paid shortly after closing. We refer to this $1.00 special dividend as the special dividend .

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Treatment of Equity Awards (page 106)

Pursuant to the Company s equity compensation plans and the merger agreement, the Company s equity based awards will be treated as follows:

each restricted share of Class A common stock subject solely to time-based vesting conditions, which we refer to as a Time-Based Class A Restricted Share , will fully vest upon approval of the merger proposal by the Company s stockholders and be treated the same as all other shares of Class A common stock at the effective time of the merger;

each restricted share of Class A common stock subject to both time-based and performance-based vesting conditions, which we refer to as a Performance-Based Class A Restricted Share , will be canceled at the effective time of the merger, and the holder thereof will be entitled to receive in consideration for such cancelation a cash payment from Tokio Marine equal to the Class A Merger Consideration, with the performance criteria applicable to such Performance-Based Class A Restricted Share deemed achieved at 100% of target performance. This amount will be payable on March 5, 2013, subject to the holder s continued provision of services to Tokio Marine and its affiliates (including the Company and its subsidiaries) through the payment date, and subject to earlier payment in the event of certain qualifying terminations of the holder s employment. In addition, holders of Performance-Based Class A Restricted Shares will be entitled to receive an amount equal to the special dividend with respect to each share of Class A common stock underlying such award in the same manner as other holders of Class A common stock;

each outstanding stock option to purchase shares of Class A common stock subject solely to time-based vesting conditions, which we refer to as a Time-Based Class A Option , to the extent unvested, will fully vest upon approval of the merger proposal by the Company s stockholders, and whether vested or unvested, will be canceled at the effective time of the merger and will entitle the holder thereof to receive an amount in cash equal to the product of (x) the total number of shares of Class A common stock subject to such option and (y) the excess, if any, of the sum of the Class A Merger Consideration and an amount equal to the special dividend, which we refer to as the Class A Equity Award Consideration , over the exercise price per share of Class A common stock under such option;

each outstanding stock option to purchase shares of Class B common stock, which we refer to as a Time-Based Class B Option , and all of which are subject solely to time-based vesting conditions, to the extent unvested, will fully vest upon approval of the merger proposal by the Company s stockholders, and whether vested or unvested, will be canceled at the effective time of the merger and will entitle the holder thereof to receive an amount in cash equal to the product of (x) the total number of shares of Class B common stock subject to such option and (y) the excess, if any, of the sum of the Class B Merger Consideration and an amount equal to the special dividend, which we refer to as the Class B Equity Award Consideration , over the exercise price per share of Class B common stock under such option;

each outstanding unvested stock option to purchase shares of Class A common stock subject to both time-based and performance-based vesting conditions, which we refer to as a Performance-Based Class A Option , will be canceled at the effective time of the merger and the holder thereof will be entitled to receive in consideration for such cancelation a cash payment from Tokio Marine equal to the product of (x) the total number of shares of Class A common stock subject to such option with the performance criteria applicable to such option deemed achieved at 100% of target performance and (y) the excess, if any, of the Class A Merger Consideration over the exercise price per share of Class A common stock under such option. This amount will be payable on December 31, 2012, subject to the holder s continued provision of services to Tokio Marine and its affiliates (including the Company and its subsidiaries) through the payment date, subject to earlier payment in the event of certain qualifying terminations of the holder s employment. In addition, holders of Performance-Based Class A Options will be entitled to receive an amount equal to the special dividend with respect to each share of Class A common stock underlying such option payable at the same time as the above payment with respect to such option; and

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each outstanding restricted stock unit, share unit or deferred share, which we refer to as an RSU , to the extent unvested, will fully vest upon the effective time of the merger, and whether vested or unvested, will be canceled at the effective time of the merger and will entitle the holder thereof to receive with respect to each share subject to such RSU an amount equal to, as applicable, (1) the Class A Merger Consideration, which we refer to as a Class A RSU , or (2) the Class B Merger Consideration, which we refer to as a Class B RSU . In addition, each holder of an RSU will be entitled to receive an amount equal to the special dividend on the same terms as other holders of common stock with respect to each share of Class A common stock or Class B common stock underlying such RSU.

Treatment of the Company s Employee Stock Purchase Plan (page 108)

Immediately prior to the record date of the special dividend, in the case of any outstanding purchase rights under the Company s Employee Stock Purchase Plan, which we refer to as the ESPP , the then-current purchase period under the ESPP will end and each participant s accumulated payroll deduction will be used to purchase shares of Class A common stock in accordance with the terms of the ESPP, which shares will be treated the same as all other shares of Class A common stock at the effective time of the merger, and the ESPP will terminate immediately after such purchases. At the effective time of the merger, shares of Class A common stock purchased under the ESPP will be canceled, and the holder thereof will be entitled to receive in consideration for such cancelation a cash payment from Tokio Marine equal to the Class A Equity Award Consideration.

Conditions to the Closing of the Merger (page 119)

Before the merger can be completed, a number of conditions must be satisfied or, to the extent permitted, waived. These include:

adoption of the merger agreement by the affirmative vote of holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock, which we collectively refer to as common stock , entitled to vote on the proposal, voting together as a single class (as a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the merger agreement, the satisfaction of this condition is effectively assured) (for a description of the existing voting agreement, please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger Voting and Support Agreement);

approval of the merger agreement by the affirmative vote of holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock, any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine, Merger Sub or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act), we refer to holders of these shares collectively as the unaffiliated stockholders), voting as a single class (this condition is not required by law or the Company s certificate of incorporation, but cannot be waived under the terms of the merger agreement);

adoption of the certificate amendment (which would permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger as contemplated by the merger agreement) by the affirmative vote of holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class (as a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the certificate amendment, the satisfaction of this condition is effectively assured);

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adoption of the certificate amendment (which would permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger as contemplated by the merger agreement) by the affirmative vote of holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers), voting as a single class;

early termination or expiration of any applicable waiting period (or any extension) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, which we refer to as the HSR Act ;

the absence of any legal prohibitions against the merger;

approval of the merger by the Financial Services Agency of Japan and the insurance regulators of the states of Illinois, Missouri, New York and Texas and the Cayman Islands and a pre-acquisition competition law filing in the state of Hawaii, which is subject to the early termination or expiration of the applicable waiting period;

accuracy of the Company s, Tokio Marine s and Merger Sub s respective representations and warranties, subject to certain materiality thresholds; and

material compliance by the Company, Tokio Marine and Merger Sub with their respective obligations under the merger agreement.

Governmental and Regulatory Approvals (page 89)

Completion of the merger is subject to certain governmental or regulatory clearance procedures, including the early termination or expiration of the waiting period under the HSR Act and the approval of the insurance regulators of certain jurisdictions.

Under the provisions of the HSR Act, the merger may not be completed until we and Tokio Marine have made certain filings with the Antitrust Division of the United States Department of Justice, which we refer to as the Antitrust Division , and the United States Federal Trade Commission, which we refer to as the FTC , and the applicable waiting period has expired or been terminated.

The insurance laws and regulations of the states of Illinois, Missouri, New York and Texas and the Cayman Islands generally require that, prior to the acquisition of an insurance company domiciled in those respective jurisdictions, the acquiring company must obtain the approval of the insurance regulators of those jurisdictions. In addition, in the state of Hawaii, based on an analysis of applicable market share data, a pre-acquisition competition law filing, which is subject to the early termination or expiration of the applicable waiting period, will be required.

The Insurance Business Act of Japan requires Tokio Marine to file a prior notification with, and Tokio Marine & Nichido Fire Insurance Co., Ltd. to obtain the prior approval of, the Financial Services Agency of Japan, which we refer to as the JFSA , in connection with the merger. Each of Tokio Marine and Tokio Marine & Nichido Fire Insurance Co., Ltd. intends to file the necessary notification or application, as applicable, with the JFSA promptly after all other necessary regulatory approvals are obtained.

Expected Timing of the Merger

We expect to complete the merger shortly after all conditions to the merger have been satisfied or, to the extent permitted, waived. We anticipate the completion of the merger in the second quarter of 2012, but we cannot be certain when or if the conditions to the closing of the merger will be satisfied or, to the extent permitted, waived.

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Recommendation of the Special Committee and Board of Directors; Reasons for the Merger (page 62)

The Special Transaction Committee (which we refer to as the Special Committee) and the Special Transaction Sub-Committee of the Special Committee (which we refer to as the Special Committee Sub-Committee), each of which is composed entirely of independent directors, unanimously determined, among other things, that (1) it is advisable and in the best interests of the Class A stockholders and the Company that the Company enter into the merger agreement and that the merger and the terms thereof, together with all of the other transactions contemplated by the merger agreement, including the certificate amendment, are fair and in the best interests of the Class A stockholders and the Company, and recommended that our board of directors approve and declare the advisability of the merger agreement and the transactions contemplated by the merger agreement, including the merger and the certificate amendment, and, in the case of the Special Committee, recommends that our stockholders adopt the merger agreement and the certificate amendment and that the unaffiliated stockholders approve the merger agreement, (2) the consideration to be received in the merger is fair to the Class A stockholders (taking into account the higher consideration to be paid to the Class B stockholders) and (3) the premium to be paid to the Class B stockholders is fair to the Class A stockholders. The Special Committee (after having received the unanimous recommendation of the Special Committee Sub-Committee) unanimously recommends that stockholders vote (1) FOR the proposal to adopt and approve the merger agreement, which we refer to as the merger proposal , and (2) FOR the proposal to adopt an amendment to Delphi s certificate of incorporation to permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger as contemplated by the merger agreement, which we refer to as the certificate amendment proposal . The merger is conditional upon the approval of the certificate amendment proposal. The merger will not take place unless the certificate amendment proposal receives the required approvals from our stockholders.

Our board of directors, after careful consideration and acting after having received the unanimous recommendations of the Special Committee Sub-Committee and the Special Committee, has deemed and declared it advisable and in the best interests of the Company and its stockholders that the Company enter into the merger agreement and that the merger and the terms thereof, together with all of the other transactions contemplated by the merger agreement, including the certificate amendment, are advisable and in the best interests of the Company and its stockholders. Our board of directors, after having received the unanimous recommendations of the Special Committee Sub-Committee and the Special Committee, recommends that our stockholders vote (1) FOR the merger proposal and (2) FOR the certificate amendment proposal. Our board of directors also recommends that our stockholders vote (1) FOR the non-binding, advisory proposal to approve the compensation that may become payable to the Company s named executive officers in connection with the completion of the merger (this non-binding, advisory proposal relates only to already existing contractual obligations of the Company that may result in a payment to the Company s named executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between the Company s named executive officers and Tokio Marine or, following the merger, the Company and its subsidiaries), which we refer to as the non-binding compensation proposal , and (2) FOR the approval of the adjournment of the special meeting, if necessary or desirable, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt and approve the merger agreement or the certificate amendment, which we refer to as the adjournment proposal .

For a detailed description of the determinations of the Special Committee Sub-Committee, the Special Committee and our board of directors and the recommendations of the Special Committee and our board of directors, please see the section titled The Merger Recommendation of the Special Committee and Board of Directors; Reasons for the Merger .

Background of the Merger (page 39)

A description of the process we undertook, which led to the proposed merger, including our discussions with Tokio Marine, is included in this proxy statement in the section titled The Merger Background of the Merger . For a description of certain considerations related to the dual-class structure of the Company and the

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higher consideration to be received by the holders of Class B common stock in the merger that Lazard Frères & Co. LLC, which we refer to as Lazard , reviewed with the Special Committee Sub-Committee and the Special Committee, please see the section titled The Merger Background of the Merger Special Committee Sub-Committee Presentation on Differential Consideration .

Effects on the Company and Our Stockholders if the Merger Is Not Completed (page 88)

If either the merger proposal or the certificate amendment proposal does not receive the required approvals from our stockholders, or if the merger is not completed for any other reason, our stockholders will not receive any payment for their shares in connection with the merger. Instead, stockholders will continue to own their shares of our common stock, and the Company will remain an independent public company. In addition, if the merger agreement is terminated under certain circumstances, the Company will be obligated to pay an $82,000,000 termination fee to Tokio Marine.

Interests of Our Directors and Executive Officers in the Merger (page 90)

In considering the recommendations of the Special Committee and our board of directors that the Company s stockholders vote to approve the merger proposal and the certificate amendment proposal, you should be aware that certain of the Company s directors and executive officers have financial interests in the merger that are different from, or are in addition to, the interests of the Company s stockholders generally. The members of the Special Committee Sub-Committee, the Special Committee and the Company s board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and, in the case of the Special Committee and the board of directors, in recommending to the Company s stockholders that they approve the merger proposal and the certificate amendment proposal.

Mr. Rosenkranz, as of the close of business on the record date, had the power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, which as of the close of business on the record date represented [49.9]% of the aggregate voting power of the Company s common stock, and Mr. Rosenkranz and his affiliates directly owned all of the outstanding shares of Class B common stock (unrelated third parties had indirect economic interests in approximately [9]% of the outstanding shares of Class B common stock through minority interests held in affiliates of Mr. Rosenkranz). Other than Mr. Rosenkranz, no member of our board of directors has any direct or indirect interest in the Company s Class B common stock. In the merger (including the payment of the special dividend), holders of shares of Class B common stock will be entitled to receive $53.875 in cash per share and holders of shares of Class A common stock will be entitled to receive $44.875 in cash. This consideration represents $9.00 more per share of Class B common stock, or a per-share incremental premium of approximately 20%, relative to the consideration to be paid in respect of Class A common stock. The aggregate incremental premium to be paid in respect of Class B common stock relative to the consideration to be paid in respect of Class A common stock is approximately 2.7% of the equity value of the transaction (equity value calculated assuming holders of Class A common stock and Class B common stock would be receiving $44.875 per share of common stock rather than the applicable merger consideration). In the merger, the holders of Class B common stock will receive an aggregate premium of approximately $64 million relative to the $46.00 per share blended price (by blended price we mean the aggregate number of shares of the Company s Class A and Class B common stock multiplied by the price per share contemplated to be paid (including the payment of the special dividend) for such shares in the merger divided by the aggregate number of shares of the Company s Class A and Class B common stock, which results in a price of $46.00 per share for all shares of the Company s common stock).

In addition, affiliates of Mr. Rosenkranz are parties to certain consulting agreements and other arrangements whereby the Company or its subsidiaries pay to these affiliates fees for Mr. Rosenkranz s and his affiliates services. Mr. Rosenkranz and his affiliates may continue to receive payments from the Company and its subsidiaries pursuant to these consulting agreements or other arrangements after the completion of the merger. The interests of Mr. Rosenkranz also include the right to accelerated vesting and cash-out of Time-Based Class B

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Options and Class B RSUs and the right to receive an amount equal to the special dividend with respect to each equity award held by Mr. Rosenkranz. For additional information on Mr. Rosenkranz s interests in the transaction, please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger Interests of Mr. Robert Rosenkranz .

The interests of the Company s non-employee directors include, among other things, the right to accelerated vesting and cash-out of certain Time-Based Class A Restricted Shares and Time-Based Class A Options and the right to receive an amount equal to the special dividend with respect to each equity award held by the director. In connection with their service on the Special Committee and in consideration for the time and effort required of the Special Committee, the members of the Special Committee are entitled to be paid a monthly fee. In addition, the interests of certain of the Company s executive officers, other than Mr. Rosenkranz, include the rights to (1) solely with respect to Messrs. Sherman, Kiratsous and Coulter, accelerated vesting and cash-out of Time-Based Class A Options and Class A RSUs, (2) solely with respect to Messrs. Wilhelm, Burghart and Daurelle, certain payments with respect to Performance-Based Class A Restricted Shares and Performance-Based Class A Options, (3) an amount equal to the special dividend with respect to each equity award held by the executive officer, (4) solely with respect to Mr. Wilhelm, certain severance payments in the event of a qualifying termination of employment following the merger and (5) solely with respect to Mr. Coulter, certain payments with respect to a retention bonus pool to be established by the Company (please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger Retention Bonus Pool for more information about the retention bonus pool). It is not expected that any executive officer other than Mr. Coulter will participate in the retention bonus pool, and Messrs. Rosenkranz, Sherman and Kiratsous are each ineligible to participate in the retention bonus pool. In addition, Tokio Marine has had discussions with Messrs. Rosenkranz, Sherman and Kiratsous regarding post-closing compensation, retention and employment arrangements for the Company s senior management; however, as of the date of this proxy statement, neither the Company nor Tokio Marine has entered into any agreements with the Company s executive officers with respect to post-merger services. The Company s board of directors and executive officers also have the right to indemnification and insurance coverage that will survive the completion of the merger. Please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger beginning on page 90 for additional information about these interests.

No Solicitation by the Company (page 115)

The Merger Agreement restricts our ability to solicit third-party acquisition proposals or provide information or data to or engage in discussions or negotiations with third parties that have made or to the Company s knowledge are reasonably likely to make an acquisition proposal. Under certain circumstances and in compliance with certain obligations, the Company may provide information and data and participate in discussions and negotiations with respect to unsolicited written third-party acquisition proposals that could reasonably be expected to result in a superior proposal and may terminate the merger agreement and accept a superior proposal upon payment to Tokio Marine of the termination fee of $82,000,000.

Termination of the Merger Agreement (page 121)

The merger agreement may be terminated and the transactions contemplated by the merger agreement abandoned at any time prior to the closing of the merger under certain circumstances, including by mutual written consent of the Company and Tokio Marine, or by either the Company or Tokio Marine if specified conditions have not been met. Please see the section titled The Merger Agreement Termination of the Merger Agreement for additional information.

Termination Fees if the Merger Is Not Completed (page 123)

If the merger agreement is terminated under certain circumstances, we must pay Tokio Marine a termination fee of $82,000,000. For more information on the termination fee, please see the section titled The Merger Agreement Termination Fee .

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Litigation Related to the Merger (page 103)

The Company, members of the Company s board of directors, Tokio Marine and Merger Sub have been named as defendants in lawsuits brought by and on behalf of the Company s stockholders challenging the merger.

On December 22, 2011, Pontiac General Employees Retirement System, a purported stockholder of the Company, filed an action in the Court of Chancery of the State of Delaware captioned *Pontiac General Employees Retirement System v. Kevin R. Brine, et al.*, C.A. No. 7144-VCG. The complaint names as defendants the Company, Tokio Marine, Merger Sub and all of the Company s directors individually and purports to be a class action on behalf of the plaintiff and all similarly situated public stockholders.

On December 23, 2011, KBC Asset Management NV, a purported stockholder of the Company, filed a similar action in the Court of Chancery of the State of Delaware captioned *KBC Asset Management NV v. Delphi Financial Group, Inc., et al.*, C.A. No. 7146-VCG. The complaint names as defendants the Company, Tokio Marine, Merger Sub and all of the Company s directors individually and purports to be a class action on behalf of the plaintiff and all similarly situated public stockholders.

On December 29, 2011, Cleveland Bakers and Teamsters Pension Fund, a purported stockholder of the Company, filed a similar action in the Court of Chancery of the State of Delaware captioned *Cleveland Bakers and Teamsters Pension Fund v. Kevin R. Brine, et al*., C.A. No. 7158-VCG. The complaint names as defendants the Company, Tokio Marine, Merger Sub and all of the Company s directors individually and purports to be a class action on behalf of the plaintiff and all similarly situated public stockholders.

On January 4, 2012, these three actions were consolidated by the Court of Chancery of the State of Delaware into *In re Delphi Financial Group Shareholder Litigation*, Consolidated C.A. No. 7144-VCG.

The complaints each allege, among other things, that the Company s directors have breached their fiduciary duties to the Company s public stockholders by (1) entering into the merger without regard to the fairness of the transaction to the Company s public stockholders, (2) allowing the payment of additional consideration to the Class B stockholders, (3) improperly ceding control over the merger process to Mr. Rosenkranz and (4) structuring the vote on the merger agreement in an improperly coercive manner. The complaints also allege that Mr. Rosenkranz in particular has breached his fiduciary duties to the Company s stockholders by (a) dominating and controlling the board of directors negotiation and consideration of the merger and (b) appropriating for himself a disproportionate amount of the merger consideration by securing additional consideration to the Class B stockholders. The complaints also allege that Tokio Marine and Merger Sub knew of these alleged breaches and aided and abetted in their commission. Based on these allegations, the complaints, among other relief, seek certain injunctive relief, including enjoining the merger, and damages. They also purport to seek recovery of the costs of the actions, including attorneys fees.

On January 5, 2012, Oklahoma Firefighters Pension & Retirement System, a purported stockholder of the Company, filed an action in the Court of Chancery of the State of Delaware captioned *Oklahoma Firefighters Pension & Retirement System v. Kevin R. Brine, et al*., C.A. No. 7162-VCG. The complaint names as defendants the Company, Tokio Marine, Merger Sub and all of the Company s directors individually and purports to be a class action on behalf of the plaintiff and all similarly situated public stockholders. The complaint makes similar allegations and demands as those in *In re Delphi Financial Group Shareholder Litigation*, Consolidated C.A. No. 7144-VCG. The complaint additionally alleges that (1) the merger agreement treats options and restricted share units in an illegal manner, (2) the merger agreement illegally circumvents the provisions in the Company s certificate of incorporation providing for the conversion of Class B common stock into Class A common stock upon a sale, assignment, transfer or other disposition, (3) the merger agreement improperly lacks a provision specifying that the certificate amendment and the payment of additional consideration to the Class B stockholders will not affect the determination of the fair value of the Class A common stock in an appraisal and (4) the Company s directors breached their fiduciary duties by entering into an agreement with these defects. In

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addition to the relief sought by the complaints in *In re Delphi Financial Group Shareholder Litigation*, Consolidated C.A. No. 7144-VCG, the complaint seeks injunctive and declaratory relief related to these additional allegations. On January 9, 2012, this action was consolidated by the Court of Chancery of the State of Delaware into *In re Delphi Financial Group Shareholder Litigation*, Consolidated C.A. No. 7144-VCG.

The Company and its directors believe that the claims asserted in these actions are without merit, and they intend to vigorously defend all pending claims.

The Special Meeting (page 29)

The special meeting will be held at [ ] on [ ], 2012, commencing at [ ], local time.

Purpose of the Special Meeting (page 29)

You will be asked to consider and vote upon the merger proposal, the certificate amendment proposal, the non-binding compensation proposal, the adjournment proposal and such other business as may properly be submitted for stockholder action by or at the direction of our board of directors.

If any other matters are properly presented for action at the special meeting, the persons named in the enclosed proxy card will have discretion to vote on such matters in accordance with their best judgment.

Record Date and Stockholders Entitled to Vote (page 30)

If you own shares of our common stock at the close of business on [ ], 2012, which we refer to as the record date for the special meeting, you will be entitled to vote at the special meeting. As of the close of business on the record date, there were [ ] shares of Class A common stock issued and outstanding (of which [ ] shares were held, directly or indirectly, by holders of Class B common stock) and [ ] shares of Class B common stock issued and outstanding.

Each share of Class A common stock entitles the holder thereof to one vote. Each share of Class B common stock entitles the holder thereof to a number of votes per share equal to the lesser of (1) the number of votes such that the aggregate of all outstanding shares of Class B common stock will be entitled to cast 49.9% of all of the votes represented by the aggregate of all outstanding shares of Class A common stock and Class B common stock or (2) 10 votes. Based on the shares of common stock issued and outstanding as of the close of business on the record date, shares of Class B common stock will have the number of votes described in clause [(1)] of the preceding sentence.

Mr. Rosenkranz, as of the close of business on the record date, had the power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, which as of the close of business on the record date represented [49.9]% of the aggregate voting power of the Company s common stock, and Mr. Rosenkranz and his affiliates directly owned all of the outstanding shares of Class B common stock (unrelated third parties had indirect economic interests in approximately [9]% of the outstanding shares of Class B common stock through minority interests held in affiliates of Mr. Rosenkranz). Other than Mr. Rosenkranz, no member of our board of directors has any direct or indirect interest in the Company s Class B common stock. Mr. Rosenkranz, as of the close of business on the record date, also had the power to vote, or direct the voting of, approximately [ ] shares of Class A common stock, representing approximately [ ]% of the aggregate voting power of the Company s common stock. However, pursuant to an existing voting agreement, dated as of May 13, 1997, by and between the Company and Mr. Rosenkranz, Mr. Rosenkranz has agreed not to vote or cause to be voted certain shares of Class A common stock or Class B common stock, as applicable, if and to the extent that such shares would cause Mr. Rosenkranz and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders. In addition, as of the close of business on the record date, directors and executive officers of the Company (other than Mr. Rosenkranz) beneficially owned, in the aggregate, [ ] shares of Class A common stock, representing approximately [ ]% of the aggregate voting power of the Company s common stock.

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Required Vote; Effect of Failure to Vote, Abstentions and Broker Non-Votes (page 32)

Approval of the merger proposal requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of the Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock, any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine, Merger Sub or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act)), voting as a single class. The approval of the merger proposal by holders of a majority of the outstanding shares of Class A common stock held by the unaffiliated stockholders is not required by law or the Company s certificate of incorporation, but is a condition that cannot be waived under the terms of the merger agreement. Failure to vote, abstentions and broker non-votes will have the same effect as a vote AGAINST the merger proposal. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the merger agreement, the approval described in clause (1) of this paragraph is effectively assured.

Approval of the certificate amendment proposal requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers), voting as a single class. Failure to vote, abstentions and broker non-votes will have the same effect as a vote AGAINST the certificate amendment proposal. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the certificate amendment, the approval described in clause (1) of this paragraph is effectively assured. The merger is conditional upon the adoption of the certificate amendment.

Approval of the non-binding compensation proposal requires approval by a majority of the votes cast affirmatively or negatively on that proposal at the special meeting. Assuming a quorum is present, failure to vote, broker non-votes and abstentions will have no effect on the non-binding compensation proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, in the same proportion as the votes cast (whether for, against or abstaining) by the unaffiliated stockholders with respect to the non-binding compensation proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997). As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the non-binding compensation proposal will effectively be determined by the unaffiliated stockholders.

Approval of the adjournment proposal requires approval by a majority of the votes cast affirmatively or negatively on that proposal at the special meeting. Assuming a quorum is present, failure to vote, broker non-votes and abstentions will have no effect on the adjournment proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, with respect to the adjournment proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997) as directed by the Special Committee. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the adjournment proposal will effectively be determined by the Special Committee.

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Voting Procedures (page 32)

If you are a registered or record holder, which means that your shares are registered in your name with American Stock Transfer & Trust Company, LLC, Delphi s transfer agent and registrar, you may vote in person at the special meeting or vote by proxy by submitting a proxy promptly by following the instructions on the enclosed proxy card.

If your shares are held in street name, which means that your shares are held of record in an account with a broker, bank, trust company or other nominee, you must follow the instructions of your broker, bank, trust company or other nominee in order to vote.

For additional information relating to voting at the special meeting, please see the sections titled The Special Meeting Voting Procedures , Voting in Person , Voting of Proxies by Holders of Record and Voting Shares Held in Street Name .

Revocability of Proxy (page 34)

If you are the record holder of stock, you can change your vote or revoke your proxy before your proxy is voted at the special meeting by:

- timely delivery of a later dated and valid proxy by mail;
- timely delivery of a duly executed revocation sent to the Investor Relations Department of Delphi Financial Group, Inc., 1105 North Market Street, Suite 1230, Wilmington, Delaware 19801; or
- attending the special meeting and voting in person (attendance at the special meeting without voting will not in and of itself revoke your proxy).

If your shares of the Company s common stock are held in street name, you should follow the instructions of your broker, bank, trust company or other nominee regarding the revocation of proxies. If your broker, bank, trust company or other nominee allows you to submit a proxy via the Internet or by telephone, you may be able to change your vote by submitting a new proxy via the Internet or by telephone.

Adjournments and Postponements (page 35)

Although it is not currently expected, the special meeting may be adjourned or postponed if any of the required quorums are not present in person or represented by proxy or, subject to approval of the adjournment proposal, for the purpose of soliciting additional proxies if there are insufficient votes present in person or represented by proxy at the time of the special meeting to approve the merger proposal or the certificate amendment proposal. If the special meeting is adjourned, no notice of the adjourned meeting is required to be given to stockholders, other than an announcement at the special meeting of the place, date and time to which the special meeting is adjourned. The record date will not change due to an adjournment or a postponement unless the board of directors, in its discretion, establishes a new record date or a new record date is required to be established by applicable law.

Voting by Company Directors and Executive Officers (page 35)

As of the close of business on the record date, directors and executive officers of the Company beneficially owned, in the aggregate, [ ] shares of Class A common stock, or approximately [ ]% of the voting power of the issued and outstanding shares of the Company s common stock and approximately [ ]% of the issued and outstanding shares of Class A common stock.

Mr. Rosenkranz, as of the close of business on the record date, had the power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, which as of the close of business on the record date represented [49.9]% of the aggregate voting power of the Company s common stock, and Mr. Rosenkranz and

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his affiliates directly owned all of the outstanding shares of Class B common stock (unrelated third parties had indirect economic interests in approximately [9]% of the outstanding shares of Class B common stock through minority interests held in affiliates of Mr. Rosenkranz). Other than Mr. Rosenkranz, no member of our board of directors has any direct or indirect interest in the Company s Class B common stock. Mr. Rosenkranz, as of the close of business on the record date, also had the power to vote, or direct the voting of, approximately [ ] shares of Class A common stock, representing approximately [ ]% of the aggregate voting power of the Company s common stock. However, pursuant to an existing voting agreement, dated as of May 13, 1997, by and between the Company and Mr. Rosenkranz, Mr. Rosenkranz has agreed not to vote or cause to be voted certain shares of Class A common stock or Class B common stock, as applicable, if and to the extent that such shares would cause Mr. Rosenkranz and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders.

Mr. Rosenkranz and certain of his affiliates have entered into a voting agreement with the Company and Tokio Marine pursuant to which Mr. Rosenkranz and certain of his affiliates have agreed, subject to certain exceptions, to vote all of their shares of the Company s common stock in favor of the merger proposal and the certificate amendment proposal. This voting agreement is subject to the terms and restrictions of the existing voting agreement, described above, pursuant to which Mr. Rosenkranz has agreed not to vote or cause to be voted certain shares of Class A common stock or Class B common stock, as applicable, if and to the extent that such shares would cause Mr. Rosenkranz and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders. However, the merger proposal is subject to the approval of a majority of the unaffiliated stockholders (this condition is not required by law or the Company s certificate of incorporation, but cannot be waived under the terms of the merger agreement).

Each of our directors and executive officers and certain of their affiliates have indicated their present intention to vote, or cause to be voted, their shares of common stock for the merger proposal. However, as described under The Special Meeting Required Vote; Effect of Failure to Vote, Abstentions and Broker Non-Votes , the merger proposal must be approved by both (1) holders of a majority of the voting power of our outstanding common stock entitled to vote on the proposal (including shares of Class B common stock) and (2) the unaffiliated stockholders (this unaffiliated stockholder approval is not required by law or the Company s certificate of incorporation, but cannot be waived under the terms of the merger agreement). As our directors and executive officers are not unaffiliated stockholders, their votes will not count for the required unaffiliated stockholder approval.

Each of our directors and executive officers and certain of their affiliates have indicated their present intention to vote, or cause to be voted, their shares of common stock for the certificate amendment proposal. However, as described under The Special Meeting Required Vote; Effect of Failure to Vote, Abstentions and Broker Non-Votes , approval of the certificate amendment proposal must be approved by both (1) holders of a majority of the voting power of our outstanding common stock entitled to vote on the proposal (including shares of Class B common stock) and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers), voting as a single class. Mr. Rosenkranz s shares of Class B common stock will not count for purposes of the required Class A stockholder approval.

Each of our directors and executive officers (other than Mr. Rosenkranz) and certain of their affiliates have indicated their present intention to vote, or cause to be voted, their shares of common stock for the non-binding compensation proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, in the same proportion as the votes cast (whether for, against or abstaining) by the unaffiliated stockholders with respect to the non-binding compensation proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997). As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the non-binding compensation proposal will effectively be determined by the unaffiliated stockholders.

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Each of our directors and executive officers (other than Mr. Rosenkranz) and certain of their affiliates have indicated their present intention to vote, or cause to be voted, their shares of common stock for the adjournment proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, with respect to the adjournment proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997) as directed by the Special Committee. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the adjournment proposal will effectively be determined by the Special Committee.

As of [ ], 2012, Tokio Marine did not beneficially own any shares of the Company s Class A common stock or Class B common stock.

Please see the sections titled The Merger Interests of Our Directors and Executive Officers in the Merger Voting and Support Agreement and Security Ownership of Certain Beneficial Owners and Management for additional information.

Opinion of Lazard (page 72 and Annex B)

On December 20, 2011, Lazard rendered its written opinion to the Special Committee that, as of such date, and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the sum of the Class A Merger Consideration and the special dividend to be paid to holders of Class A common stock (other than (1) Tokio Marine, Delphi or any other direct or indirect wholly owned subsidiary of Tokio Marine or Delphi, except to the extent that they hold Class A common stock on behalf of third parties, (2) holders who are entitled to demand and have properly exercised and perfected their appraisal rights under Section 262 of the DGCL and (3) any holder of Class B common stock who also owns Class A common stock) in connection with the merger was fair, from a financial point of view, to such holders.

The full text of Lazard s written opinion, dated December 20, 2011, which sets forth the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Lazard in connection with its opinion is attached to this proxy statement as Annex B and is incorporated into this proxy statement by reference. We encourage you to read Lazard s opinion, and the section titled The Merger Opinion of Lazard beginning on page 72, carefully and in their entirety. **Lazard s engagement and opinion were for the benefit of the Special Committee and the other independent directors of the Company s board of directors (each in their capacity as such), and Lazard s opinion was rendered to the Special Committee in connection with its evaluation of the merger and only addressed the fairness, from a financial point of view, to the holders of Class A common stock of the sum of the Class A Merger Consideration and the special dividend to be paid to such holders in connection with the merger as of the date of Lazard s opinion. Lazard s opinion did not address any other aspect of the transaction contemplated by the merger agreement and was not intended to and does not constitute a recommendation to any holder of the Company s common stock as to how such holder should vote or act with respect to the merger or any matter relating thereto.**

Material United States Federal Income Tax Consequences (page 84)

The merger will be a taxable transaction for United States federal income tax purposes to U.S. holders of shares of the Company s common stock. U.S. holders generally will recognize gain or loss from the merger in an amount equal to the difference between the amount of cash they receive in the merger and the adjusted tax basis in their shares of the Company s common stock. Although the tax treatment of the special dividend is not entirely clear, we intend to report the special dividend as a distribution with respect to our common stock that will be a taxable dividend to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. We do not expect that the amount of the special dividend will exceed our current and accumulated earnings and profits.

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The United States federal income tax consequences described above may not apply to all holders of the Company s common stock, including certain holders specifically referred to on page 86. Your tax consequences will depend on your own situation. You should consult your own tax advisor to determine the particular tax consequences to you.

Amendment to Certificate of Incorporation (page 88)

The merger is conditional upon the approval of the certificate amendment proposal. The merger will not take place unless the certificate amendment is adopted by both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers), voting as a single class. The Company s certificate of incorporation currently prohibits the payment of different types or amounts of consideration to holders of Class B common stock from the type or amount of consideration holders of Class A common stock receive in the merger. The Special Committee Sub-Committee and the Special Committee (after having received the unanimous recommendation of the Special Committee Sub-Committee) have approved and declared advisable an amendment to the Company s certificate of incorporation to allow shares of Class B common stock to receive the higher consideration as contemplated by the merger agreement than shares of Class A common stock and, in the case of the Special Committee, unanimously recommends that stockholders vote FOR the certificate amendment proposal. After having received the unanimous recommendations of the Special Committee Sub-Committee and the Special Committee, our board of directors, subject to stockholder adoption, has approved and declared advisable this amendment to the Company s certificate of incorporation, and recommends that stockholders vote FOR the certificate amendment proposal. The amendment, which we refer to as the certificate amendment , would only permit holders of Class B common stock to receive higher consideration than holders of Class A common stock specifically in connection with the transactions contemplated by the merger agreement with Tokio Marine and not otherwise; therefore, if the proposed merger does not occur, the Company s certificate of incorporation would continue to require all holders of common stock to receive equal consideration in connection with another merger or similar transaction. In accordance with the General Corporation Law of the State of Delaware, which we refer to as the DGCL , the certificate amendment will only become effective if adopted by the Company s stockholders as described in the section titled The Special Meeting Required Vote; Effect of Failure to Vote, Abstentions and Broker Non-Votes . If the Company s stockholders adopt and approve the merger agreement and adopt the certificate amendment, the Company intends to file the certificate amendment with the Secretary of State of the State of Delaware prior to the effective time of the merger. If the merger does not occur, the Company s board of directors anticipates that it will adopt resolutions to abandon the certificate amendment rather than make such filing. A copy of Article Fourth, Section A.7 of the Company s current certificate of incorporation showing the proposed amendment is attached as Annex D.

Appraisal Rights (page 126)

If the merger is consummated, stockholders of the Company will have certain rights under Delaware law to demand appraisal of, and payment in cash of the fair value of, their shares of the Company s common stock. Any shares of the Company s common stock held by a person who does not vote in favor of adoption of the merger agreement, demands appraisal of such shares of common stock and complies with the applicable provisions of Delaware law will not be converted into the right to receive the applicable merger consideration, but will be entitled to receive the special dividend. Such appraisal rights, if the statutory procedures were complied with, will lead to a judicial determination of the fair value (excluding any element of value arising from the accomplishment or expectation of the merger) required to be paid in cash to such dissenting stockholders for their shares of the Company s common stock. The value so determined could be more or less than, or the same as, the applicable merger consideration.

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Although holders of Class A common stock and Class B common stock could not receive different consideration in the merger unless the certificate amendment were implemented, the Company does not believe that the implementation of the certificate amendment immediately prior to the merger will affect the fair value of shares of Class A common stock as determined in an appraisal proceeding if any such proceeding is held in connection with the merger. The certificate amendment permits differential consideration only in connection with the merger, so to the extent that the potential for differential consideration has any impact on value, it would be an element of value that would arise only from the accomplishment of the merger and therefore would be excluded from the determination of fair value under Section 262 of the DGCL.

You should read the section titled Appraisal Rights beginning on page 126 for a more complete discussion of the appraisal rights in relation to the merger, as well as Annex C, which contains the full text of the applicable Delaware statute.

Market Price of the Company s Common Stock and Dividend Data (page 130)

Our Class A common stock is listed on the New York Stock Exchange, which we refer to as the NYSE , under the trading symbol DFG . The cash consideration (including the $1.00 special dividend) to be received in the merger represents a premium of 76% for our Class A stockholders relative to the closing price of $25.43 per share of Class A common stock on December 20, 2011 and a premium of 63% for our Class A stockholders relative to the trailing twelve-month average as of December 20, 2011 of $27.50. On [ ], 2012, which was the last trading day before the printing of this proxy statement, our common stock closed at $[ ] per share.

You are encouraged to obtain current market quotations for shares of the Company s Class A common stock in connection with voting your shares of common stock.

The merger agreement provides that record holders of Class A common stock and Class B common stock immediately prior to the effective time of the merger will be entitled to receive $1.00 in cash per share pursuant to a one-time special dividend from Delphi to be paid shortly after closing. The special dividend is contingent upon the completion of the merger. In addition, under the terms of the merger agreement, the Company may pay regular quarterly cash dividends with respect to shares of common stock not in excess of $0.12 per share with the timing of declaration, record and payment dates thereof consistent with past practice. While the declaration and payment of dividends, including the amount and frequency of dividends, are at the discretion of the board of directors and depend upon many factors, including the Company s consolidated financial position, liquidity requirements, operating results and such other factors as the board of directors may deem relevant, the board of directors currently expects to continue to declare and pay quarterly dividends of $0.12 per share in accordance with past practice.

Where You Can Find More Information (page 135)

You can find more information about the Company in the periodic reports and other information we file with the SEC. The information is available at the SEC s public reference facilities and at the website maintained by the SEC at *www.sec.gov*. For a more detailed description of the additional information available, please see the section titled Where You Can Obtain Additional Information beginning on page 135.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions regarding the special meeting and the proposed merger. These questions and answers may not address all questions that may be important to you as a stockholder. You should read the more detailed information contained elsewhere in this proxy statement, the appendices to this proxy statement and the documents referred to in this proxy statement.

Q: Why am I receiving this proxy statement and proxy card?

A: On December 21, 2011, we entered into an Agreement and Plan of Merger, which we refer to as the merger agreement , with Tokio Marine and Merger Sub.

You should carefully read this proxy statement, including its annexes and the other documents we refer to in this proxy statement, because they contain important information about the merger, the merger agreement, the certificate amendment and the special meeting. The enclosed voting materials allow you to have your stock voted without attending the special meeting.

Your vote is very important. We encourage you to vote by proxy as soon as possible.

Q: What proposals will be considered at the special meeting?

A: At the special meeting, you will be asked to consider and vote on the following proposals:

a proposal to adopt and approve the merger agreement, which we refer to as the merger proposal (a copy of the merger agreement is attached to this proxy statement as Annex A);

a proposal to adopt an amendment to Delphi s certificate of incorporation to permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger as contemplated by the merger agreement, which we refer to as the certificate amendment proposal (a copy of Article Fourth, Section A.7 of the Company s current certificate of incorporation showing the proposed amendment is attached as Annex D);

a non-binding, advisory proposal to approve the compensation that may become payable to the Company s named executive officers in connection with the completion of the merger (this non-binding, advisory proposal relates only to already existing contractual obligations of the Company that may result in a payment to the Company s named executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between the Company s named executive officers and Tokio Marine or, following the merger, the Company and its subsidiaries), which we refer to as the non-binding compensation proposal ; and

a proposal to approve the adjournment of the special meeting, if necessary or desirable, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt and approve the merger agreement or adopt the certificate amendment, which we refer to as the adjournment proposal .

Q: If the merger is completed, what will I receive for my shares of the Company s common stock?

A: Holders of shares of Class A common stock will be paid $43.875 in cash, without interest and less any applicable withholding taxes, for each share of Class A common stock that they own. Holders of Class B common stock will be paid $52.875 in cash, without interest and less any applicable withholding taxes, for each share of Class B common stock that they own.

In addition to the consideration described above, the merger agreement provides that record holders of Class A common stock and Class B common stock immediately prior to the effective time of the merger will be entitled to receive $1.00 in cash per share pursuant to a one-time special dividend from Delphi to be paid shortly after closing. The special dividend is contingent upon the completion of the merger.

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Please see the section titled The Merger Background of the Merger Special Committee Sub-Committee Presentation on Differential Consideration for a description of certain considerations related to the dual-class structure of Delphi and the higher consideration to be received by the holders of Class B common stock in the merger that Lazard reviewed with the Special Committee Sub-Committee and the Special Committee. Please see the section titled The Merger Material United States Federal Income Tax Consequences for a more detailed explanation of the tax consequences of the merger and special dividend.

Q: Who sent me this proxy statement?

A: The Company, on behalf of the Special Committee and our board of directors, sent you this proxy statement and proxy card. We began mailing this proxy statement and proxy card on or about [ ], 2012. We will pay for the solicitation of proxies for use at the special meeting. Officers, directors or employees of the Company or our subsidiaries may solicit proxies, for no additional compensation, by telephone, facsimile, electronic mail or in person. We may request that brokerage houses and other custodians, nominees and fiduciaries forward soliciting material to the beneficial owners of the Company s common stock, and we will reimburse them for their related expenses. In addition, we have retained MacKenzie Partners, Inc., which we refer to as MacKenzie Partners , a professional soliciting organization, to assist in soliciting proxies.

Q: What will happen to outstanding Company equity compensation awards in the merger?

A: For information regarding the treatment of the Company s equity awards, please see the sections titled The Merger Agreement Treatment of Company Equity Awards and Treatment of the Company s Employee Stock Purchase Plan .

Q: When and where is the special meeting being held?

A: The special meeting will be held at [ ] on [ ], 2012, commencing at [ ], local time.

Q: Who is entitled to vote at the special meeting?

A: The record date for the special meeting is [ ], 2012. Only holders of record of issued and outstanding shares of the Company s common stock as of the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting.

Q: How do the Special Committee and the board of directors recommend that I vote?

A: The Special Committee, after having received the unanimous recommendation of the Special Committee Sub-Committee, and our board of directors, after having received the unanimous recommendations of the Special Committee Sub-Committee and the Special Committee, recommend that you vote FOR each of the merger proposal and the certificate amendment proposal. Our board of directors also recommends that you vote FOR each of the non-binding compensation proposal and the adjournment proposal. For a more complete description of the Special Committee s and the board of directors reasons for recommending the adoption and approval of the merger agreement and the certificate amendment, as well as the reasons for the Special Committee Sub-Committee s and the Special Committee s recommendations to the board of directors, please see the section titled The Merger Recommendation of the Special Committee and Board of Directors; Reasons for the Merger . In addition, in considering the recommendations of the Special Committee and the board of directors, you should be aware that some of the Company s directors and executive officers have interests that are different from, or in addition to, the interests of our stockholders generally or of the holders of Class A common stock. Please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger .

Q: How many votes do I have?

A: Holders of Class A common stock are entitled to one vote for each share of Class A common stock that they owned as of the close of business on the record date.

Holders of Class B common stock are entitled to a number of votes per share equal to the lesser of (1) the number of votes such that the aggregate of all outstanding shares of Class B common stock will be entitled

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to cast 49.9% of all of the votes represented by the aggregate of all outstanding shares of Class A common stock and Class B common stock or (2) 10 votes. Based on the shares of common stock outstanding as of the close of business on the record date, shares of Class B common stock will have the number of votes described in clause [(1)] of the preceding sentence (*i.e.*, in the aggregate holders of Class B common stock will be entitled to cast [49.9]% of all the votes represented by our common stock).

Q: What vote is required to approve each of the proposals?

A: Approval of the merger proposal requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of the Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock, any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine, Merger Sub or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act)), voting as a single class (the approval of the merger proposal by holders of a majority of the outstanding shares of Class A common stock held by the unaffiliated stockholders is not required by law or the Company s certificate of incorporation, but is a condition that cannot be waived under the terms of the merger agreement). Failure to vote, abstentions and broker non-votes will have the same effect as a vote AGAINST the merger proposal. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the merger agreement, the approval described in clause (1) of the first sentence of this paragraph is effectively assured.

Approval of the certificate amendment proposal requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers), voting as a single class. Failure to vote, abstentions and broker non-votes will have the same effect as a vote AGAINST the certificate amendment proposal. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the certificate amendment, the approval described in clause (1) of the first sentence of this paragraph is effectively assured.

Approval of the non-binding compensation proposal requires approval by a majority of the votes cast affirmatively or negatively on that proposal at the special meeting. Assuming a quorum is present, failure to vote, broker non-votes and abstentions will have no effect on the non-binding compensation proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, in the same proportion as the votes cast (whether for, against or abstaining) by the unaffiliated stockholders with respect to the non-binding compensation proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997). As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the non-binding compensation proposal will effectively be determined by the unaffiliated stockholders.

Approval of the adjournment proposal requires approval by a majority of the votes cast affirmatively or negatively on that proposal at the special meeting. Assuming a quorum is present, failure to vote, broker non-votes and abstentions will have no effect on the adjournment proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, with respect to the adjournment proposal (subject to the terms and restrictions contained in the existing

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voting agreement, dated as of May 13, 1997) as directed by the Special Committee. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the adjournment proposal will effectively be determined by the Special Committee.

Q: How do the Company s directors and executive officers intend to vote?

A: Each of our directors and executive officers and certain of their affiliates have indicated that they currently intend to vote all of their shares of the Company s common stock FOR each of the merger proposal and the certificate amendment proposal. However, certain votes of our directors and executive officers will not count for certain votes relating to the merger proposal and the certificate amendment proposal. Each of our directors and executive officers (other than Mr. Rosenkranz) and certain of their affiliates have also indicated that they currently intend to vote all of their shares of the Company s common stock FOR the non-binding compensation proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, in the same proportion as the votes cast (whether for, against or abstaining) by the unaffiliated stockholders with respect to the non-binding compensation proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997). As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the non-binding compensation proposal will effectively be determined by the unaffiliated stockholders.

Each of our directors and executive officers (other than Mr. Rosenkranz) and certain of their affiliates have also indicated that they currently intend to vote all of their shares of the Company s common stock FOR the adjournment proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, with respect to the adjournment proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997) as directed by the Special Committee. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the adjournment proposal will effectively be determined by the Special Committee. For a more complete description, please see the section titled The Special Meeting Voting by Company Directors and Executive Officers .

Mr. Rosenkranz and certain of his affiliates have entered into a voting agreement with the Company and Tokio Marine pursuant to which Mr. Rosenkranz and certain of his affiliates have agreed, subject to certain exceptions, to vote all of their shares of the Company s common stock in favor of the merger proposal and the certificate amendment proposal. This voting agreement is subject to an existing voting agreement, dated as of May 13, 1997, by and between the Company and Mr. Rosenkranz, pursuant to which Mr. Rosenkranz has agreed not to vote or cause to be voted certain shares of Class A common stock or Class B common stock, as applicable, if and to the extent that such shares would cause Mr. Rosenkranz and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders. However, the merger proposal is subject to the approval of a majority of the unaffiliated stockholders (this condition is not required by law or the Company s certificate of incorporation, but cannot be waived under the terms of the merger agreement). As of the close of business on the record date, Mr. Rosenkranz owns approximately [ ] shares of Class A common stock, representing approximately [ ]% of the aggregate voting power of the Company s common stock, and directors and executive officers of the Company (other than Mr. Rosenkranz) beneficially owned, in the aggregate, [ ] shares of Class A common stock, representing approximately [ ]% of the aggregate voting power of the Company s common stock. For a more complete description of the voting agreement, please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger Voting and Support Agreement .

Q: Do any of the Company s executive officers or directors have any interests in the merger that are different from, or are in addition to, my interests as a stockholder?

A: In considering the recommendations of the Special Committee and our board of directors that Company stockholders vote FOR the merger proposal and related proposals, you should be aware that certain of the Company s directors and executive officers have financial interests in the merger that are different from, or

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are in addition to, the interests of the Company s stockholders generally. The members of the Special Committee Sub-Committee, the Special Committee and the Company s board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and, in the case of the Special Committee and the board of directors, in recommending to the Company s stockholders that they approve the merger proposal and related proposals.

Mr. Rosenkranz, as of the close of business on the record date, had the power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, which as of the close of business on the record date represented [49.9]% of the aggregate voting power of the Company s common stock, and Mr. Rosenkranz and his affiliates directly owned all of the outstanding shares of Class B common stock (unrelated third parties had indirect economic interests in approximately [9]% of the outstanding shares of Class B common stock through minority interests held in affiliates of Mr. Rosenkranz). Other than Mr. Rosenkranz, no member of our board of directors has any direct or indirect interest in the Company s Class B common stock. In the merger (including the payment of the special dividend), holders of shares of Class B common stock will be entitled to receive $53.875 in cash per share and holders of shares of Class A common stock will be entitled to receive $44.875 in cash. This consideration represents $9.00 more per share of Class B common stock, or a per-share incremental premium of approximately 20%, relative to the consideration to be paid in respect of Class A common stock. The aggregate incremental premium to be paid in respect of Class B common stock relative to the consideration to be paid in respect of Class A common stock is approximately 2.7% of the equity value of the transaction (equity value calculated assuming holders of Class A common stock and Class B common stock would be receiving $44.875 per share of common stock rather than the applicable merger consideration). In the merger, the holders of Class B common stock will receive an aggregate premium of approximately $64 million relative to the $46.00 per share blended price.

In addition, affiliates of Mr. Rosenkranz are parties to certain consulting agreements and other arrangements whereby the Company or its subsidiaries pay to these affiliates fees for Mr. Rosenkranz s and his affiliates services. Mr. Rosenkranz and his affiliates may continue to receive payments from the Company or its subsidiaries pursuant to these consulting agreements or other arrangements after the completion of the merger. The interests of Mr. Rosenkranz also include the right to accelerated vesting and cash-out of Time-Based Class B Options and Class B RSUs and the right to receive an amount equal to the special dividend with respect to each equity award held by Mr. Rosenkranz. For additional information on Mr. Rosenkranz s interests in the transaction, please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger Interests of Mr. Robert Rosenkranz .

The interests of the Company s non-employee directors include, among other things, the right to accelerated vesting and cash-out of certain Time-Based Class A Restricted Shares and Time-Based Class A Options and the right to receive an amount equal to the special dividend with respect to each equity award held by the director. In connection with their service on the Special Committee and in consideration for the time and effort required of the Special Committee, the members of the Special Committee are entitled to be paid a monthly fee. The interests of Mr. Rosenkranz include the right to accelerated vesting and cash-out of Time-Based Class B Options and Class B RSUs and the right to receive an amount equal to the special dividend with respect to each equity award held by Mr. Rosenkranz. The interests of certain of the Company s executive officers, other than Mr. Rosenkranz, include the rights to (1) solely with respect to Messrs. Sherman, Kiratsous and Coulter, accelerated vesting and cash-out of Time-Based Class A Options, and Class A RSUs, (2) solely with respect to Messrs. Wilhelm, Burghart and Daurelle, certain payments with respect to Performance-Based Class A Restricted Shares and Performance-Based Class A Options, (3) an amount equal to the special dividend with respect to each equity award held by the executive officer, (4) solely with respect to Mr. Wilhelm, certain severance payments in the event of a qualifying termination of employment following the merger and (5) solely with respect to Mr. Coulter, certain payments with respect to a retention bonus pool to be established by the Company. It is not expected that any executive officer other than Mr. Coulter will participate in the retention bonus pool, and Messrs. Rosenkranz, Sherman and Kiratsous are each ineligible to participate in the retention bonus pool. In addition, Tokio Marine has had discussions with Messrs. Rosenkranz, Sherman and Kiratsous regarding post-closing compensation,

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retention and employment arrangements for the Company s senior management; however, as of the date of this proxy statement, neither the Company nor Tokio Marine has entered into any agreements with the Company s executive officers with respect to post-merger services. The Company s board of directors and executive officers also have the right to indemnification and insurance coverage that will survive the completion of the merger. Please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger beginning on page 90 for additional information about these interests.

Q: Why is the board of directors proposing an amendment to its certificate of incorporation?

A: The merger is conditional upon the approval of the certificate amendment proposal. The merger will not take place unless the certificate amendment is adopted by both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers), voting as a single class. The Company s certificate of incorporation currently prohibits the payment of different types or amounts of consideration to holders of Class B common stock from the type or amount of consideration holders of Class A common stock receive in the merger. If the proposed merger is completed, pursuant to the terms of the merger agreement the holders of Class A common stock will be entitled to receive $43.875 per share of Class A common stock and the holders of Class B common stock will be entitled to receive $52.875 per share of Class B common stock, in each case plus the $1.00 per share special dividend. Our board of directors is proposing the amendment to the Company s certificate of incorporation to permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger as contemplated by the merger agreement and has approved and declared advisable the certificate amendment. The Special Committee Sub-Committee and the Special Committee have each determined that (1) it is advisable and in the best interests of the Class A stockholders and the Company that the Company enter into the merger agreement and that the merger and the terms thereof, together with all of the other transactions contemplated by the merger agreement, including the certificate amendment, are fair and in the best interests of the Class A stockholders and the Company, (2) the consideration to be received in the merger is fair to the Class A stockholders (taking into account the higher consideration to be paid to the Class B stockholders) and (3) the premium to be paid to the Class B stockholders is fair to the Class A stockholders. The Special Committee Sub-Committee and the Special Committee have each also determined that the certificate amendment is in the best interests of the Class A stockholders, because without permitting the Class B stockholders to receive higher consideration than the Class A stockholders the Special Committee Sub-Committee and the Special Committee believe that Mr. Rosenkranz would not vote in favor of the merger (and the merger would therefore not occur). If the Company s stockholders adopt and approve the merger agreement and adopt the certificate amendment, the Company intends to file the certificate amendment with the Secretary of State of the State of Delaware prior to the effective time of the merger. If the merger does not occur, the Company s board of directors anticipates that it will adopt resolutions to abandon the certificate amendment rather than make such filing. A copy of Article Fourth, Section A.7 of the Company s current certificate of incorporation showing the proposed amendment is attached as Annex D.

Q: Why am I being asked to cast a vote on a non-binding, advisory vote on the compensation that may be payable to the Company s named executive officers in connection with the merger?

A: In accordance with the rules promulgated under Section 14A of the Exchange Act, the Company is providing its stockholders with the opportunity to cast a non-binding, advisory vote on the compensation that may be payable to its named executive officers in connection with the merger as described in the table titled Potential Change of Control Payments to Executive Officers on page 99 (which, for the avoidance of doubt, does not include any compensation that may be payable to Mr. Daurelle because Mr. Daurelle is not a named executive officer of the Company). This non-binding, advisory vote relates only to already existing contractual obligations of the Company that may result in a payment to the Company s named

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executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between the Company s named executive officers and Tokio Marine or, following the merger, the Company and its subsidiaries. Since the vote is advisory in nature only, it will not be binding on the Company. Accordingly, because the Company is contractually obligated to pay the compensation subject to the non-binding, advisory vote, such compensation will be payable, subject only to the conditions applicable thereto, if the merger is completed and regardless of the outcome of the advisory vote.

Our board of directors recommends that you vote FOR the non-binding, advisory proposal to approve the compensation that may become payable to the Company s named executive officers in connection with the completion of the merger (this non-binding, advisory proposal relates only to already existing contractual obligations of the Company that may result in a payment to the Company s named executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between the Company s named executive officers and Tokio Marine or, following the merger, the Company and its subsidiaries).

Q: How do I submit my proxy?

A: If you are a record holder of our common stock, you have two voting options:

Proxy Card: You can submit your proxy by signing, dating and mailing your proxy card in the postage-paid envelope provided. If you intend to submit your proxy card by mail, please return your proxy card as soon as possible.

Vote in Person: You can attend the special meeting and vote at the meeting.

If you hold your shares through a broker, bank, trust company or other nominee, you should follow the separate voting instructions, if any, provided by the broker, bank, trust company or other nominee. Your broker, bank, trust company or other nominee may provide for proxy submission via the Internet or by telephone. Please contact your broker, bank, trust company or other nominee for additional information on the procedure for voting those shares of the Company s common stock.

If a proxy is properly submitted by any of these methods, and is not subsequently revoked, your shares will be voted in accordance with the instructions you provide.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement or multiple proxy or voting instruction cards. For example, if you hold your shares of common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of common stock. If you are a holder of record and your shares of common stock are registered in more than one name, you will receive more than one proxy card. **Please submit each proxy and voting instruction card that you receive**.

Q: What happens if I fail to vote or I abstain from voting?

A: If you fail to vote, fail to instruct your broker, bank, trust company or other nominee to vote, or mark your proxy or voting instructions to abstain, it will have the effect of a vote AGAINST the merger proposal and the certificate amendment proposal.

If you fail to vote, fail to instruct your broker, bank, trust company or other nominee to vote or mark your proxy or voting instructions to abstain, it will have no effect on the non-binding compensation proposal or the adjournment proposal, assuming a quorum is present.

Q: What if I sign and return my proxy card without specifying a vote or an abstention?

A: If you sign and return a proxy card without specifying a vote or an abstention and do not revoke your proxy, your shares will be voted in accordance with the board of directors recommendations, which, as of the date of this proxy statement, are FOR each of the merger proposal, the certificate amendment proposal, the non-binding compensation proposal and the adjournment proposal.

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Q: Can I change my vote after I have submitted a proxy?

A: Yes. If you are the record holder of stock, you can change your vote or revoke your proxy before your proxy is voted at the special meeting by:

- timely delivery of a later dated and valid proxy by mail;
- timely delivery of a duly executed revocation sent to the Investor Relations Department of Delphi Financial Group, Inc., 1105 North Market Street, Suite 1230, Wilmington, Delaware 19801; or
- attending the special meeting and voting in person (attendance at the special meeting without voting will not in and of itself revoke your proxy).

If your shares of the Company s common stock are held in street name, you should follow the instructions of your broker, bank, trust company or other nominee regarding the revocation of proxies. If your broker, bank, trust company or other nominee allows you to submit a proxy via the Internet or by telephone, you may be able to change your vote by submitting a new proxy via the Internet or by telephone.

Q: If my broker, bank, trust company or other nominee holds my shares in street name, will my broker, bank, trust company or other nominee vote my shares for me?

A: No. Your broker, bank, trust company or other nominee will not be able to vote your shares without instructions from you. You should instruct your broker, bank, trust company or other nominee to vote your shares following the procedure provided by your broker, bank, trust company or other nominee.

Q: What will happen if all of the proposals to be considered at the special meeting are not approved?

A: As a condition to completion of the merger, our stockholders must approve the merger proposal and the certificate amendment proposal (for the required votes to approve each of these proposals, please see the section titled The Special Meeting Required Vote; Effect of Failure to Vote, Abstentions and Broker Non-Votes). The merger will not take place unless the certificate amendment proposal receives the required approvals from our stockholders. If the required approvals are not obtained, the merger will not be completed and, accordingly, stockholders will not receive the applicable merger consideration or the special dividend.

Completion of the merger will not be conditioned or dependent on the Company s stockholder approval of the non-binding compensation proposal. The vote with respect to the non-binding compensation proposal is an advisory vote and will not be binding on the Company. In addition, this vote relates only to already existing contractual obligations of the Company that may result in a payment to Delphi s named executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between Delphi s named executive officers and Tokio Marine or, following the merger, the Company and its subsidiaries. Therefore, if the other requisite stockholder approvals are obtained and the merger is completed, the compensation payable to the Company s named executive officers in connection with the completion of the merger will still be paid to those named executive officers as long as all conditions applicable thereto are satisfied. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, in the same proportion as the votes cast (whether for, against or abstaining) by the unaffiliated stockholders with respect to the non-binding compensation proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997). As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the non-binding compensation proposal will effectively be determined by the unaffiliated stockholders.

Q: What happens if I sell my shares of common stock before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you transfer your shares after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to

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receive the Class A Merger Consideration or Class B Merger Consideration, as applicable, in the merger. In order to receive the applicable merger consideration, you must hold your shares through the completion of the merger.

In addition to the consideration described above, the merger agreement provides that record holders of Class A common stock and Class B common stock immediately prior to the effective time of the merger will be entitled to receive the special dividend, which would be contingent upon the completion of the merger and paid shortly after closing. Accordingly, in order to receive the special dividend, you must hold your shares through the time immediately prior to the effective time of the merger.

Q: If I am a holder of certificated shares of common stock, should I send in my stock certificates now?

A: No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to the paying agent in order to receive your cash payment. You should use the letter of transmittal to exchange your stock certificates for the cash payment to which you are entitled as a result of the merger. **Please do not send in any stock certificates with your proxy card.**

Registered holders of uncertificated shares of common stock (*i.e.*, holders whose shares are held in their own name in book-entry form) will automatically receive the cash payment to which they are entitled as soon as practicable after the merger is completed without any further action required on the part of such holders.

Q: When is the merger expected to be completed?

A: We are working toward completing the merger as promptly as possible. We expect to complete the merger in the second quarter of 2012, but we cannot be certain when or if the conditions to the merger will be satisfied or, to the extent permitted, waived. The merger cannot be completed until a number of conditions are satisfied, including the adoption of the merger agreement and the certificate amendment by the Company s stockholders at the special meeting, approval of the merger agreement by the unaffiliated stockholders, approval of the merger by the insurance regulators of the states of Illinois, Missouri, New York and Texas and the Cayman Islands, pre-acquisition competition law filing in the state of Hawaii, which is subject to the early termination or expiration of the applicable waiting period, approval of the merger by the JFSA and the early termination or expiration of the waiting period under the HSR Act.

Q: What happens if the merger is not completed?

A: If the merger agreement and the certificate amendment are not adopted by the Company s stockholders, if the merger agreement is not approved by the unaffiliated stockholders, or if the merger is not completed for any other reason, stockholders will not receive the applicable merger consideration or the special dividend. Instead, stockholders will continue to own their shares of the Company s common stock, the Company will remain an independent public company and the Company s Class A common stock will continue to be registered under the Exchange Act and listed and traded on the NYSE. Under specified circumstances, the Company will be required to pay Tokio Marine a termination fee in the amount of $82,000,000, as described in the sections titled The Merger Agreement Termination of the Merger Agreement and Termination Fee .

Q: What are the United States federal income tax consequences of the transaction?

A: The merger will be a taxable transaction for United States federal income tax purposes to U.S. holders of the Company s common stock. In general, U.S. holders will recognize gain or loss equal to the difference between the amount of cash they receive in the merger and the aggregate adjusted tax basis of their shares of the Company s common stock. We intend to report the special dividend as a distribution with respect to our common stock that will be taxable to you as a dividend to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. We do not expect that the amount of the special dividend will exceed our current and

accumulated earnings and profits.

Please see the section titled The Merger Material United States Federal Income Tax Consequences for a more detailed explanation of the tax consequences of the merger and special dividend. You are urged to consult your own tax advisor to determine the particular tax consequences of the transaction to you.

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Q: Will I still be paid dividends prior to the merger?

A: We have historically paid quarterly dividends to our stockholders. In accordance with the merger agreement, in addition to the special dividend, we may pay regular quarterly cash dividends with respect to shares of our common stock not in excess of $0.12 per share, with the timing of declaration, record and payment dates thereof consistent with past practice. While the declaration and payment of dividends, including the amount and frequency of dividends, are at the discretion of the board of directors and depend upon many factors, including the Company s consolidated financial position, liquidity requirements, operating results and such other factors as the board of directors may deem relevant, we currently expect to continue to declare and pay quarterly dividends of $0.12 per share in accordance with past practice.

Q: Are stockholders entitled to appraisal rights in connection with the merger?

A: Holders of common stock who do not vote in favor of adoption of the merger agreement will have the right to seek appraisal and receive the fair value of their shares of common stock in lieu of receiving the Class A Merger Consideration or the Class B Merger Consideration, as applicable, if the merger closes, but only if they perfect their appraisal rights by complying with the required procedures under Delaware law. Holders of common stock who seek and perfect their appraisal rights will still be entitled to receive the special dividend. Please see the section titled Appraisal Rights beginning on page 126. For the full text of Section 262 of the DGCL, please see Annex C hereto.

Q: What is householding and how does it affect me?

A: The Securities and Exchange Commission, which we refer to as the SEC , permits companies to send a single set of certain disclosure documents to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the company provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. This householding process reduces the volume of duplicate information and reduces printing and mailing expenses. We have not instituted householding for stockholders of record; however, certain brokerage firms may have instituted householding for beneficial owners of common stock held through brokerage firms. If your family has multiple accounts holding common stock, you may have already received a householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

Q: Who can help answer my other questions?

A: If you need assistance in submitting your proxy or voting your shares or need additional copies of this proxy statement or the enclosed proxy card, you should contact MacKenzie Partners at 105 Madison Avenue, 17th Floor, New York, New York 10016, email at: proxy@mackenziepartners.com, call collect: (212) 929-5500, or call toll-free: (800) 322-2885. If your broker holds your shares, you should also call your broker for additional information.

Q: Where can I find more information about the Company?

A: We file reports, proxy statements and other information with the SEC. These filings are available to the public at the SEC s website, *http://www.sec.gov*. Our website, *http://www.delphifin.com*, has copies of these filings as well. Our Class A common stock is listed on the NYSE under the symbol DFG and you may inspect our filings at the SEC s public reference facilities. For a more detailed description of the information available, please see the section titled Where You Can Obtain Additional Information .

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Information both included and incorporated by reference in this proxy statement may contain statements that are considered forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results, prospects, outlooks, other developments or the acquisition of the Company by Tokio Marine. Some forward-looking statements may be identified by the use of terms such as expects , believes , anticipates , intends , judgment , outlook , effort , attempt , achieve , project or other similar expressions. We or our representatives may also make sim forward-looking statements from time to time orally or in writing. We cannot guarantee that we will achieve these plans, intentions or expectations, including completing the merger on the terms summarized in this proxy statement. All statements regarding our expected financial position and business are forward-looking statements. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic, competitive and other risks, uncertainties and contingencies, many of which are beyond the Company s control and many of which, with respect to future business decisions, are subject to change. Examples of such risks, uncertainties and contingencies include, among other important factors:

- the risk that the merger may not be consummated in a timely manner, if at all;
- the occurrence of events, changes or other circumstances that could give rise to the termination of the merger agreement, including under circumstances which would require us to pay Tokio Marine a termination fee of $82,000,000;
- we may be unable to obtain the Company s stockholder approvals required for the merger;
- conditions to the closing of the merger may not be satisfied or, to the extent permitted, waived;
- the failure of the merger to close for any other reason;
- the possible adverse effect on our business and the price of our common stock if the merger is not completed in a timely manner or at all;
- the timing of, and our ability to pay, the special dividend;
- our businesses may suffer as a result of uncertainty surrounding the merger;
- the announcement of the merger could have a negative effect on our business relationships, operating results and business generally;
- the amount of the costs, fees, expenses and charges related to the merger;
- risks regarding employee retention;
- diversion of management s attention from our ongoing business operations;

the merger agreement s contractual restrictions on the conduct of our business prior to the closing of the merger;

our industry may be subject to future regulatory or legislative actions that could adversely affect us and our business;

the outcome of any legal proceedings, regulatory proceedings or enforcement matters that have been or may be instituted against us and others relating to the merger;

we may be adversely affected by other economic, business and/or competitive factors;

actions taken or conditions imposed by governmental or regulatory authorities; and

other risks detailed in our current filings with the SEC, including our most recent filings on Form 10-K and Form 10-Q, which discuss these and other important risk factors concerning our operations.

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These factors can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. The Company operates in a continually changing business environment and new factors emerge from time to time. We cannot predict such factors, nor can we assess the impact, if any, of such factors on our financial position or our results of operations. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results.

Additional factors that may affect the future results of the Company are provided in our filings with the SEC, which are available at *http://www.sec.gov/* or at *http://www.delphifin.com/*. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

All forward-looking statements included in this proxy statement speak only as of the date of this proxy statement and all forward-looking statements incorporated by reference into this proxy statement speak only as of the date of the document in which they were included. We expressly disclaim any obligation to release publicly any revision or updates to any forward-looking statements, except to the extent required by law. All subsequent written and oral forward-looking statements attributable to us or to any person acting on our behalf are qualified by the cautionary statements in this section.

All information contained in this proxy statement concerning Tokio Marine, Merger Sub and their affiliates has been supplied by Tokio Marine and has not been independently verified by us.

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THE SPECIAL MEETING

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by the Special Committee and the Company s board of directors for use at the special meeting to be held at the time and place specified below, and at any properly convened meeting following an adjournment or postponement thereof.

Date, Time and Place

The special meeting will be held at [ ] on [ ], 2012, commencing at [ ], local time.

Purpose of the Special Meeting

The purpose of the special meeting will be to consider and vote upon:

- a proposal to adopt and approve the merger agreement, which we refer to as the merger proposal (please see the section titled The Merger Agreement beginning on page 105);
- a proposal to adopt an amendment to Delphi s certificate of incorporation to permit holders of Class B common stock to receive higher consideration than holders of Class A common stock in the merger as contemplated by the merger agreement, which we refer to as the certificate amendment proposal (please see the section titled The Merger Amendment to Certificate of Incorporation beginning on page 88);
- a non-binding, advisory proposal to approve the compensation that may become payable to the Company s named executive officers in connection with the completion of the merger (this non-binding, advisory proposal relates only to already existing contractual obligations of the Company that may result in a payment to the Company s named executive officers in connection with the completion of the merger and does not relate to any new compensation or other arrangements between the Company s named executive officers and Tokio Marine or, following the merger, the Company and its subsidiaries), which we refer to as the non-binding compensation proposal (please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger Advisory Vote on Golden Parachutes beginning on page 101);
- a proposal to approve the adjournment of the special meeting, if necessary or desirable, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt and approve the merger agreement or adopt the certificate amendment, which we refer to as the adjournment proposal ; and
- any other business as may be properly submitted for stockholder action by or at the direction of the Company s board of directors.

A copy of the merger agreement and Article Fourth, Section A.7 of the Company s current certificate of incorporation showing the proposed amendment are attached as Annex A and Annex D to this proxy statement, respectively.

Recommendation of the Special Committee and Board of Directors

The Special Committee Sub-Committee and the Special Committee, each of which is composed entirely of independent directors, unanimously determined, among other things, that (1) it is advisable and in the best interests of the Class A stockholders and the Company that the Company enter into the merger agreement and that the merger and the terms thereof, together with all of the other transactions contemplated by the merger agreement, including the certificate amendment, are fair and in the best interests of the Class A stockholders and the Company, and recommended that our board of directors approve and declare the advisability of the merger agreement and the transactions contemplated by the merger agreement, including the merger and the certificate amendment, and, in the case of the Special Committee, recommends that our stockholders adopt the merger

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agreement and the certificate amendment and that the unaffiliated stockholders approve the merger agreement, (2) the consideration to be received in the merger is fair to the Class A stockholders (taking into account the higher consideration to be paid to the Class B stockholders) and (3) the premium to be paid to the Class B stockholders is fair to the Class A stockholders. The Special Committee (after having received the unanimous recommendation of the Special Committee Sub-Committee) unanimously recommends that stockholders vote (1) FOR the merger proposal and (2) FOR the certificate amendment proposal. The merger is conditional upon the approval of the certificate amendment proposal. The merger will not take place unless the certificate amendment proposal receives the required approvals from our stockholders.

Our board of directors, after careful consideration and acting after having received the unanimous recommendations of the Special Committee Sub-Committee and the Special Committee, has deemed and declared it advisable and in the best interests of the Company and its stockholders that the Company enter into the merger agreement and that the merger and the terms thereof, together with all of the other transactions contemplated by the merger agreement, including the certificate amendment, are advisable and in the best interests of the Company and its stockholders. Our board of directors, after having received the unanimous recommendations of the Special Committee Sub-Committee and the Special Committee, recommends that our stockholders vote FOR each of the merger proposal and the certificate amendment proposal. Our board of directors also recommends that our stockholders vote FOR each of the non-binding compensation proposal and the adjournment proposal.

For a detailed description of the determinations of the Special Committee Sub-Committee, the Special Committee and our board of directors and the recommendations of the Special Committee and our board of directors, please see the section titled The Merger Recommendation of the Special Committee and Board of Directors; Reasons for the Merger .

Stockholders should carefully read this proxy statement in its entirety for more detailed information concerning the merger agreement and the transactions contemplated by the merger agreement. In addition, stockholders are directed to the merger agreement and a copy of Article Fourth, Section A.7 of the Company s current certificate of incorporation showing the proposed amendment, which are attached as Annex A and Annex D to this proxy statement, respectively.

Record Date and Stockholders Entitled to Vote

Only holders of record of the Company s common stock as of the close of business on [ ], 2012, the record date for the special meeting, will be entitled to receive notice of, and to vote at, the special meeting or any adjournment or postponement thereof. As of the close of business on the record date, there were [ ] shares of Class A common stock issued and outstanding (of which [ ] shares were held, directly or indirectly, by holders of Class B common stock) and [ ] shares of Class B common stock issued and outstanding.

Each share of Class A common stock entitles the holder thereof to one vote, and each share of Class B common stock entitles the holder thereof to a number of votes per share equal to the lesser of (1) the number of votes such that the aggregate of all outstanding shares of Class B common stock will be entitled to cast 49.9% of all of the votes represented by the aggregate of all outstanding shares of Class A common stock and Class B common stock or (2) 10 votes. Based on the shares of common stock issued and outstanding as of the close of business on the record date, the shares of Class B common stock will have the number of votes described in clause [(1)] of the preceding sentence.

Mr. Rosenkranz, as of the close of business on the record date, had the power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, which as of the close of business on the record date represented [49.9]% of the aggregate voting power of the Company s common stock, and Mr. Rosenkranz and his affiliates directly owned all of the outstanding shares of Class B common stock (unrelated third parties had indirect economic interests in approximately [9]% of the outstanding shares of Class B common stock through

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minority interests held in affiliates of Mr. Rosenkranz). Other than Mr. Rosenkranz, no member of our board of directors has any direct or indirect interest in the Company s Class B common stock. Mr. Rosenkranz, as of the close of business on the record date, also had the power to vote, or direct the voting of, approximately [ ] shares of Class A common stock, representing approximately [ ]% of the aggregate voting power of the Company s common stock. However, pursuant to an existing voting agreement, dated as of May 13, 1997, by and between the Company and Mr. Rosenkranz, Mr. Rosenkranz has agreed not to vote or cause to be voted certain shares of Class A common stock or Class B common stock, as applicable, if and to the extent that such shares would cause Mr. Rosenkranz and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders. In addition, as of the close of business on the record date, directors and executive officers of the Company (other than Mr. Rosenkranz) beneficially owned, in the aggregate, [ ] shares of Class A common stock.

The record date of the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you transfer your shares of common stock after the close of business on the record date but before the special meeting, you will retain the right to vote at the special meeting, but you will have transferred the right to receive the applicable merger consideration. To receive the applicable merger consideration, you must beneficially own your shares of common stock through the completion of the merger. The Company expects to declare the special dividend to holders of record of common stock as of a record date immediately preceding the effective time of the merger. Accordingly, in order to receive the special dividend, you must hold your shares through the time immediately prior to the effective time of the merger.

Quorum

To constitute a quorum for the transaction of business at the special meeting, including the merger proposal, the non-binding compensation proposal and the adjournment proposal, stockholders representing a majority of the voting power of all classes of the Company s common stock issued and outstanding and entitled to vote at the special meeting must be present in person or represented by proxy. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, Mr. Rosenkranz, together with the other members of the Company s board of directors and the Company s other executive officers, would establish a quorum for the transaction of business at the special meeting, including the merger proposal, the non-binding compensation proposal and the adjournment proposal.

In addition to the general quorum requirement above, for the certificate amendment proposal, the stockholders representing a majority of the voting power of Class A common stock (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers) entitled to vote at the special meeting must be present in person or represented by proxy to constitute a quorum for the separate vote of the Class A stockholders on the certificate amendment proposal.

In the event that either of the required quorums are not present at the special meeting, or if there are insufficient votes to approve the merger proposal or the certificate amendment proposal at the time of the special meeting, we expect that the meeting will be adjourned or postponed to solicit additional proxies.

Abstentions (including shares of common stock for which proxies have been received but for which the holders have abstained from voting) and broker non-votes (shares of common stock for which proxies have been returned by a broker indicating that the broker has not received voting instructions from the beneficial owners of the shares and does not have discretionary authority to vote the shares with respect to one or more proposals) will be treated as present for purposes of determining the presence of a quorum.

The following section titled Required Vote; Effect of Failure to Vote, Abstentions and Broker Non-Votes explains the effect of an abstention or broker non-vote for each of the proposals expected to be considered and voted upon at the special meeting.

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Required Vote; Effect of Failure to Vote, Abstentions and Broker Non-Votes

Approval of the merger proposal requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock, any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine, Merger Sub or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act)), voting as a single class. The approval of the merger proposal by holders of a majority of the outstanding shares of Class A common stock held by the unaffiliated stockholders is not required by law or the Company s certificate of incorporation, but is a condition that cannot be waived under the terms of the merger agreement. Failure to vote, abstentions and broker non-votes will have the same effect as a vote AGAINST the merger proposal. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the merger agreement, the approval described in clause (1) of the first sentence of this paragraph is effectively assured.

Approval of the certificate amendment proposal requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers), voting as a single class. Failure to vote, abstentions and broker non-votes will have the same effect as a vote AGAINST the certificate amendment proposal. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the certificate amendment, the approval described in clause (1) of the first sentence of this paragraph is effectively assured.

Approval of the non-binding compensation proposal requires approval by a majority of the votes cast affirmatively or negatively on that proposal at the special meeting. Assuming a quorum is present, failure to vote, broker non-votes and abstentions will have no effect on the non-binding compensation proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, in the same proportion as the votes cast (whether for, against or abstaining) by the unaffiliated stockholders with respect to the non-binding compensation proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997). As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the non-binding compensation proposal will effectively be determined by the unaffiliated stockholders.

Approval of the adjournment proposal requires approval by a majority of the votes cast affirmatively or negatively on that proposal at the special meeting. Assuming a quorum is present, failure to vote, broker non-votes and abstentions will have no effect on the adjournment proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, with respect to the adjournment proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997) as directed by the Special Committee. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the adjournment proposal will effectively be determined by the Special Committee.

Voting Procedures

Whether or not you plan to attend the special meeting, please submit a proxy for your shares. **Please ensure that your shares of the Company s common stock can be voted at the special meeting by submitting your proxy or contacting your broker, bank, trust company or other nominee.**

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If you are a registered or record holder, which means your shares are registered in your name with American Stock Transfer & Trust Company, LLC, Delphi s transfer agent and registrar, you may vote in person at the special meeting or by submitting a proxy promptly by following the instructions on the enclosed proxy card to vote by mail.

If your shares are held in street name, which means your shares are held of record in an account with a broker, bank, trust company or other nominee, you must follow the instructions from your broker, bank, trust company or other nominee in order to vote.

For additional questions about the merger, assistance in submitting proxies or voting shares of common stock, or to request additional copies of this proxy statement or the enclosed proxy card, please contact:

MacKenzie Partners, Inc.

105 Madison Avenue, 17th Floor

New York, New York 10016

Toll-Free: (800) 322-2885

Collect: (212) 929-5500

Email: proxy@mackenziepartners.com

Voting in Person

If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name, and you wish to vote at the special meeting, you must bring to the special meeting a legal proxy executed in your favor from the record holder (your broker, bank, trust company or other nominee) of the shares authorizing you to vote at the special meeting.

In addition, if you are a registered stockholder, please be prepared to provide proper identification, such as a driver s license. If you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or letter from your broker, bank, trust company or other nominee, along with proper identification. Stockholders will not be allowed to use cameras, recording devices and other similar electronic devices at the meeting.

Voting of Proxies by Holders of Record

If you are a registered stockholder, a proxy card is enclosed for your use. We request that you submit a proxy promptly by following the instructions on the enclosed proxy card to vote by mail. When the accompanying proxy card is properly executed and submitted, the shares of the Company s common stock represented by it will be voted at the special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the proxy card.

Voting Shares Held in Street Name

If you hold your shares in street name, you may direct the vote of your shares by mail by completing, signing and returning the voting instruction form provided by your broker, bank, trust company or other nominee. In addition to voting by mail, a number of brokers, dealers, banks and other nominees participate in a program that also permits street name stockholders to direct their vote via the Internet or by telephone. If your shares are held in an account with a broker, bank, trust company or other nominee that participates in such a program, you may direct the vote of those shares telephonically by calling the telephone number shown on the voting instruction form received from your broker, bank, trust company or other nominee, or by accessing the Internet as described on the voting instruction form. Please follow the voting instructions provided by your broker, bank, trust company or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to the Company or by

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voting in person at the special meeting unless you have a legal proxy executed in your favor from your broker, bank, trust company or other nominee. Further, brokers, banks, trust companies or other nominees who hold shares of the Company s common stock on behalf of their customers may not give a proxy to the Company to vote those shares without specific instructions from their customers.

How Proxies Are Counted

All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the stockholders giving those proxies. If a properly executed proxy is returned without an indication as to how the shares of common stock represented thereby are to be voted with regard to a particular proposal, the common stock represented by the proxy will be voted in accordance with the recommendation of the Company s board of directors and, therefore, FOR each of the proposals currently expected to be considered at the special meeting.

As of the date of this proxy statement, we are not aware of any business that will be presented for consideration at the special meeting and which would be required to be set forth in this proxy statement or the related proxy card other than the matters set forth in Company s Notice of Special Meeting of Stockholders. However, if any other proposal properly comes before the special meeting by or at the direction of the Company s board of directors, the persons named in the proxy form enclosed will vote in accordance with their best judgment upon such matter.

Revocation of Proxies

If you are the record holder of stock, you can change your vote or revoke your proxy before your proxy is voted at the special meeting by:

- timely delivery of a later dated and valid proxy by mail;
- timely delivery of a duly executed revocation sent to the Investor Relations Department of Delphi Financial Group, Inc, 1105 North Market Street, Suite 1230, Wilmington, Delaware 19801; or
- attending the special meeting and voting in person (attendance at the special meeting without voting will not in and of itself revoke your proxy).

If your shares of the Company s common stock are held in street name, you should follow the instructions of your broker, bank, trust company or other nominee regarding the revocation of proxies. If your broker, bank, trust company or other nominee allows you to submit a proxy via the Internet or by telephone, you may be able to change your vote by submitting a new proxy via the Internet or by telephone or by mail. If your shares are held in the name of a bank, broker, trust company or other nominee, you must obtain a proxy, executed in your favor, from the institution that holds your shares to be able to vote at the special meeting.

Appraisal Rights of Stockholders Who Object to the Merger

Stockholders are entitled to statutory appraisal rights under Delaware law in connection with the merger. This means that you are entitled to have the value of your shares of common stock determined by the Court of Chancery of the State of Delaware, and to receive payment based on that valuation instead of receiving the Class A Merger Consideration or the Class B Merger Consideration, as applicable, if the merger closes, but only if you perfect your appraisal rights by complying with the required procedures under Delaware law. If you seek and perfect your appraisal rights you will still be entitled to receive the special dividend. The ultimate amount you would receive in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the merger agreement.

To exercise your appraisal rights in accordance with Section 262 of the DGCL, you must submit a written demand for appraisal to us before the vote is taken on the merger agreement and you must **NOT** vote in favor of

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the adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law may result in the loss of your appraisal rights. Please see the section titled Appraisal Rights beginning on page 126 and the text of the Delaware appraisal rights statute, Section 262 of the DGCL, which is reprinted in its entirety as Annex C to this proxy statement.

Solicitation of Proxies

The expense of soliciting proxies with this proxy statement and related materials will be borne by the Company. Proxies will be solicited by mail and may be solicited, for no additional compensation, by officers, directors or employees of the Company or its subsidiaries, by telephone, facsimile, electronic mail or in person. Brokers, banks, trust companies or other nominees may be requested to forward soliciting material to the beneficial owners of common stock, and will be reimbursed for their related expenses. In addition, we have retained MacKenzie Partners, a professional soliciting organization, to assist in soliciting proxies. The Company expects to pay MacKenzie Partners a fee of $30,000, and to reimburse MacKenzie Partners for its reasonable out-of-pocket costs and expenses incurred in connection with the solicitation.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned, recessed or postponed for the purpose of soliciting additional proxies. If a quorum is present or represented, an adjournment of the special meeting may be made from time to time by approval of a majority of the votes cast affirmatively or negatively on the adjournment proposal. If any of the required quorums are not present or represented, the chairman of the meeting, if so directed by the board of directors, may adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum is present or represented.

No notice of an adjourned meeting need be given unless the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting will be given to each stockholder of record entitled to vote at the meeting. At any subsequent reconvening of the special meeting at which a quorum is present, any business may be transacted that might have been transacted at the original meeting and all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

Voting by Company Directors and Executive Officers

As of the close of business on the record date, directors and executive officers of the Company beneficially owned, in the aggregate, [ ] shares of Class A common stock, or approximately [ ]% of the voting power of the issued and outstanding shares of the Company s common stock and approximately [ ]% of the issued and outstanding shares of Class A common stock.

Mr. Rosenkranz, as of the close of business on the record date, had the power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, which as of the close of business on the record date represented [49.9]% of the aggregate voting power of the Company s common stock, and Mr. Rosenkranz and his affiliates directly owned all of the outstanding shares of Class B common stock (unrelated third parties had indirect economic interests in approximately [9]% of the outstanding shares of Class B common stock through minority interests held in affiliates of Mr. Rosenkranz). Other than Mr. Rosenkranz, no member of our board of directors has any direct or indirect interest in the Company s Class B common stock. Mr. Rosenkranz, as of the close of business on the record date, also had the power to vote, or direct the voting of, approximately [ ] shares of Class A common stock, representing approximately [ ]% of the aggregate voting power of the Company s common stock. However, pursuant to an existing voting agreement, dated as of May 13, 1997, by and between the Company and Mr. Rosenkranz, Mr. Rosenkranz has agreed not to vote or cause to be voted certain shares of

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Class A common stock or Class B common stock, as applicable, if and to the extent that such shares would cause Mr. Rosenkranz and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders.

Mr. Rosenkranz and certain of his affiliates have entered into a voting agreement with the Company and Tokio Marine pursuant to which Mr. Rosenkranz and certain of his affiliates have agreed, subject to certain exceptions, to vote all of their shares of the Company s common stock in favor of the merger proposal and the certificate amendment proposal. This voting agreement is subject to the terms and restrictions of the existing voting agreement, described above, pursuant to which Mr. Rosenkranz has agreed not to vote or cause to be voted certain shares of Class A common stock or Class B common stock, as applicable, if and to the extent that such shares would cause Mr. Rosenkranz and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders. However, the merger proposal is subject to the approval of a majority of the unaffiliated stockholders (this condition is not required by law or the Company s certificate of incorporation, but cannot be waived under the terms of the merger agreement). Please see the sections titled The Merger Interests of Our Directors and Executive Officers in the Merger Voting and Support Agreement and Security Ownership of Certain Beneficial Owners and Management for additional information.

Each of our directors and executive officers and certain of their affiliates have indicated their present intention to vote, or cause to be voted, their shares of common stock for the merger proposal. However, the merger proposal requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock, any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine, Merger Sub or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act)), voting as a single class. As a result, the votes of our directors and executive officers will not count for the vote on the merger proposal of holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock, any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act)). As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and the voting agreement, pursuant to which Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the merger agreement, the approval described in clause (1) of the second sentence of this paragraph is effectively assured.

Each of our directors and executive officers and certain of their affiliates have indicated their present intention to vote, or cause to be voted, their shares of common stock for the certificate amendment proposal. However, the certificate amendment proposal requires the affirmative vote of both (1) holders of a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock entitled to vote on the proposal, voting together as a single class, and (2) holders of a majority of the outstanding shares of Class A common stock entitled to vote on the proposal (including [ ] shares of Class A common stock beneficially owned by Mr. Rosenkranz and [ ] shares of Class A common stock beneficially owned, in the aggregate, by our other directors and executive officers), voting as a single class. As a result, Mr. Rosenkranz s shares of Class B common stock will not count for purposes of the vote on the certificate amendment proposal of Class A stockholders, voting as a single class. However, because Mr. Rosenkranz has the power to vote, or direct the voting of, all of the outstanding shares of Class B common stock and, pursuant to the voting agreement, Mr. Rosenkranz and the other Class B stockholders have agreed to vote their shares in favor of the adoption of the certificate amendment, the approval described in clause (1) of the second sentence of this paragraph is effectively assured.

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Each of our directors and executive officers (other than Mr. Rosenkranz) and certain of their affiliates have indicated their present intention to vote, or cause to be voted, their shares of common stock for the non-binding compensation proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, in the same proportion as the votes cast (whether for, against or abstaining) by the unaffiliated stockholders with respect to the non-binding compensation proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997). As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the non-binding compensation proposal will effectively be determined by the unaffiliated stockholders.

Each of our directors and executive officers (other than Mr. Rosenkranz) and certain of their affiliates have indicated their present intention to vote, or cause to be voted, their shares of common stock for the adjournment proposal. Mr. Rosenkranz has agreed to vote, or cause to be voted, all shares of common stock which he has the power to vote, or direct the voting of, with respect to the adjournment proposal (subject to the terms and restrictions contained in the existing voting agreement, dated as of May 13, 1997) as directed by the Special Committee. As a result of Mr. Rosenkranz s power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, the outcome of the vote on the adjournment proposal will effectively be determined by the Special Committee.

As of [ ], 2012, Tokio Marine did not beneficially own any shares of the Company s Class A common stock or Class B common stock.

Electronic Access to Proxy Materials

This proxy statement is available on Delphi s Internet site at *www.delphifin.com/financial/proxymaterials.html*.

Assistance

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact MacKenzie Partners at 105 Madison Avenue, 17th Floor, New York, New York 10016, email at: proxy@mackenziepartners.com, call collect: (212) 929-5500, or call toll-free: (800) 322-2885.

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THE MERGER

Introduction

The Company is seeking adoption and approval by its stockholders of the merger agreement among the Company, Tokio Marine and Merger Sub. If the merger agreement and the certificate amendment are adopted by the Company s stockholders, the unaffiliated stockholders approve the merger agreement and certain other conditions to the closing of the merger are either satisfied or, to the extent permitted, waived, then at the effective time of the merger, Merger Sub will be merged with and into the Company, with the Company as the surviving entity. As a result of the merger, the separate corporate existence of Merger Sub will cease, and the Company will continue as the surviving entity and will be an indirect wholly owned subsidiary of Tokio Marine.

Upon the completion of the merger, (1) each share of Class A common stock (other than (a) shares of Class A common stock owned by the Company, Tokio Marine or any of their respective wholly owned subsidiaries, in each case not held on behalf of third parties, and (b) shares in respect of which appraisal rights have been properly demanded and those demands not effectively withdrawn) will be converted into the right to receive $43.875 in cash, without interest and less any applicable withholding taxes, and (2) each share of Class B common stock (other than (x) shares of Class B common stock owned by the Company, Tokio Marine or any of their respective wholly owned subsidiaries, in each case not held on behalf of third parties, and (y) shares in respect of which appraisal rights have been properly demanded and those demands not effectively withdrawn) will be converted into the right to receive $52.875 in cash, without interest and less any applicable withholding taxes.

The merger agreement provides that record holders of common stock immediately prior to the effective time of the merger will also be entitled to receive $1.00 in cash per share pursuant to a one-time special dividend from Delphi, contingent upon the completion of the merger and to be paid shortly after closing.

The Parties to the Merger

Delphi Financial Group, Inc.

Delphi Financial Group, Inc.

1105 North Market Street, Suite 1230

Wilmington, DE 19801

Telephone: (302) 478-5142

Delphi Financial Group, Inc., a Delaware corporation, is a financial services company focused on specialty insurance and insurance-related businesses. 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, life, excess workers compensation for self-insured employers, large casualty programs including large deductible workers compensation, travel accident, dental and limited benefit health insurance. Delphi s asset accumulation business emphasizes individual annuity products.

Tokio Marine Holdings, Inc.

Tokio Marine Holdings, Inc.

Tokio Kaijo Nichido Building Shinkan

1-2-1 Marunouchi, Chiyoda-Ku

Tokyo 100-0005 Japan

81-3-6212-3333

Tokio Marine Holdings, Inc., the ultimate holding company of the Tokio Marine Group, is incorporated in Japan and is listed on both the Tokyo and Osaka Stock Exchanges. The Tokio Marine Group operates in the property and casualty insurance, reinsurance and life insurance sectors globally with a presence in approximately 40 countries/areas. Consolidated net premiums written of the Tokio Marine Group for the fiscal year 2010 was

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approximately Yen 2.3 trillion (approximately U.S. $30 billion, based on exchange rates at the end of September 2011). Tokio Marine Group s main operating subsidiary, Tokio Marine & Nichido Fire, was founded in 1879 and is the oldest and largest property and casualty insurer in Japan. Tokio Marine & Nichido Fire conducts business in the United States mainly through its U.S. branch.

Tokio Marine was formed on April 2, 2002 as a joint stock corporation *(kabushiki kaisha)* organized under the laws of Japan. It was incorporated under the name Millea Holdings, Inc., which was subsequently changed to Tokio Marine Holdings, Inc. in July 2008. It was, at the time of formation, Japan s first publicly owned holding company that integrated life and non-life insurance operations. In 2004, Tokio Marine s two subsidiaries, The Tokio Marine and Fire Insurance Company, Limited and The Nichido Fire and Marine Insurance Company, Limited merged to form Tokio Marine & Nichido Fire Insurance Co., Ltd.

TM Investment (Delaware) Inc.

TM Investment (Delaware) Inc.

c/o Tokio Marine Holdings, Inc.

Tokio Kaijo Nichido Building Shinkan

1-2-1 Marunouchi, Chiyoda-Ku

Tokyo 100-0005 Japan

81-3-6212-3333

Merger Sub is a Delaware corporation that was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. It is an indirect wholly owned subsidiary of Tokio Marine. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

Background of the Merger

The following is a description of the material aspects of the background and history behind the merger. This description may not contain all of the information that is important to you. The Company encourages you to carefully read the entire proxy statement, including the merger agreement attached as Annex A, for a more complete understanding of the merger.

The Company has two classes of common stock issued and outstanding, consisting of Class A common stock and Class B common stock. Class A common stock is listed and traded on the NYSE under the symbol DFG ; the Class B shares are not listed and do not trade on an exchange. Each share of Class A common stock entitles the holder to one vote per share. Each share of Class B common stock entitles the holder to a number of votes per share equal to the lesser of (1) the number of votes such that the aggregate of all outstanding shares of Class B common stock will be entitled to cast 49.9% of all of the votes represented by the aggregate of all outstanding shares of Class A common stock and Class B common stock or (2) 10 votes. Based on the shares of common stock issued and outstanding as of the close of business on the record date, shares of Class B common stock will have the number of votes described in clause [(1)] of the preceding sentence. Mr. Robert Rosenkranz, the Chairman and Chief Executive Officer of the Company, as of the close of business on the record date, had the power to vote, or direct the voting of, all of the outstanding shares of Class B common stock, which as of the close of business on the record date represented [49.9]% of the aggregate voting power of the Company s common stock, and Mr. Rosenkranz and his affiliates directly owned all of the outstanding shares of Class B common stock (unrelated third parties had indirect economic interests in approximately [9]% of the outstanding shares of Class B common stock through minority interests held in affiliates of Mr. Rosenkranz). Other than Mr. Rosenkranz, no member of our board of directors has any direct or indirect interest in the Company s Class B common stock. Mr. Rosenkranz also owns, as of the close of business on the record date, approximately [ ] shares of Class A common stock, representing approximately [ ]% of the aggregate voting power of the Company s common stock. However, pursuant to an existing voting agreement, dated as of May 13, 1997, by

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and between the Company and Mr. Rosenkranz, Mr. Rosenkranz has agreed not to vote or cause to be voted certain shares of Class A common stock or Class B common stock, as applicable, if and to the extent that such shares would cause Mr. Rosenkranz and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders.

The board of directors of the Company, which we refer to as the Board , and senior management of the Company periodically review the Company s long-term strategic plan with the goal of maximizing stockholder value. As part of this ongoing process, over the last two years the Board and senior management of the Company have from time to time considered and evaluated various strategic opportunities that were available to the Company, including potential acquisitions and other strategic combinations. Prior to July 20, 2011, none of these potential transactions involved Tokio Marine Holdings, Inc., which we refer to as Tokio Marine .

On July 20, 2011, Mr. Rosenkranz received a call from a representative of Macquarie Capital, financial advisor to Tokio Marine, which we refer to as Macquarie , during which the Macquarie representative indicated that Tokio Marine was interested in having a very preliminary discussion with senior management of the Company about exploring a potential acquisition of the Company by Tokio Marine and asked whether the Company would be agreeable to having this discussion. Mr. Rosenkranz tentatively agreed to have a meeting between senior management of the Company and Tokio Marine, which was subsequently scheduled for August 4, 2011.

On August 3, 2011, a regular quarterly meeting of the Board was held in New York City. During a regular quarterly executive session of the independent directors of the Board following the Board meeting, the Company s senior management informed the independent directors that representatives of Tokio Marine, through Macquarie, had raised with Mr. Rosenkranz a preliminary interest in exploring an acquisition of the Company. After discussion, the independent directors approved senior management of the Company engaging in preliminary discussions with representatives of Tokio Marine and exchanging certain non-public information with representatives of Tokio Marine, including the Company s 2010 management plan, which we refer to as the 2010 management plan .

On August 4, 2011, a meeting was held between Mr. Rosenkranz, Mr. Donald A. Sherman, President and Chief Operating Officer of the Company and Mr. Stephan A. Kiratsous, Executive Vice President and Chief Financial Officer of the Company, Mr. Ian Brimecome, Executive Chairman International of Tokio Marine, Mr. Kunihiko Fujii, Director and General Manager of International Business Development Department of Tokio Marine and Mr. Tomoya Kittaka, Manager of Corporate Planning Group, International Business Development Department of Tokio Marine and representatives of Macquarie in New York City. During this meeting, representatives of Tokio Marine indicated that, in light of the information that Tokio Marine had been able to evaluate to date, Tokio Marine was interested in exploring the possibility of acquiring the Company, and also indicated that it would be important from Tokio Marine s perspective for Tokio Marine to retain the Company s senior management if a transaction were to occur. This meeting did not proceed beyond a general discussion and did not include a discussion of the price or other terms of any potential transaction. At the end of the meeting, the representatives of Tokio Marine indicated that they were going to do some further thinking about a potential transaction and would then get back in touch with the Company.

On August 8, 2011, Mr. Sherman and Mr. Kiratsous called a representative of Macquarie to inform him that, in light of the volatility in the market and in the Company s stock price, the Company was putting discussions with Tokio Marine regarding a potential transaction on hold.

On August 17, 2011, Mr. Sherman and Mr. Kiratsous called a representative of Macquarie to express that the Company would be prepared to re-engage in preliminary discussions with Tokio Marine regarding a potential transaction if there was still an interest on the part of Tokio Marine in having such discussions.

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On August 22, 2011, the Company and Tokio Marine executed a confidentiality agreement. Following the execution of the confidentiality agreement, the Company s senior management provided representatives of Tokio Marine with selected due diligence information, including the Company s 2010 management plan and other information about the business and operations of the Company and its subsidiaries.

On August 26, 2011, a meeting was held between Messrs. Rosenkranz, Sherman and Kiratsous, Messrs. Brimecome, Fujii, Kittaka and Mr. Tsuyoshi Nagano, Senior Managing Director of Tokio Marine, and representatives of Macquarie in New York City to discuss business and financial due diligence based on the materials that the Company had provided Tokio Marine following execution of the confidentiality agreement on August 22, 2011. During this meeting, members of the Company s senior management reviewed the Company s 2010 management plan and the Company s investment strategy, and discussed with representatives of Tokio Marine their preliminary thoughts on potential synergies and other potential benefits, including potential benefits resulting from the Company s investment expertise, that might be realized in connection with an acquisition of the Company. There was no discussion of the price or other terms of any potential transaction at this meeting.

On August 29, 2011, Mr. Kiratsous and a representative of Macquarie had a phone conversation, during which the representative of Macquarie informed Mr. Kiratsous that Tokio Marine continued to be interested in pursuing a potential transaction with the Company, and a follow-up meeting between the parties was scheduled for September 7, 2011.

On September 7, 2011, a meeting was held between Messrs. Rosenkranz, Sherman and Kiratsous, Messrs. Brimecome and Fujii and representatives of Macquarie in New York City. During this meeting, representatives of Tokio Marine provided positive feedback on Tokio Marine s preliminary due diligence analysis of the Company and provided the members of the Company s senior management present with an initial verbal indication of interest in acquiring the Company at a price of $33.00 to $35.00 per share of the Company s common stock (this represented a premium of 50% to 59%, respectively, relative to the closing price of the Company s Class A common stock on September 6, 2011). Mr. Rosenkranz indicated to the representatives of Tokio Marine that this offer, in light of the modest premium to the Company s recent stock price and book value per share, was disappointing and not close to the value of the Company.

On September 8, 2011, Mr. Rosenkranz called Mr. Brimecome to reiterate his disappointment with Tokio Marine s valuation range and inform Mr. Brimecome that he had expected that Tokio Marine s initial offer would have been in the range of 1.5x to 2.0x the Company s reported book value per share, which implied a price range of approximately $45.00 to $60.00 per share of the Company s common stock.

On September 12, 2011, Mr. Brimecome called Mr. Rosenkranz and provided him with a revised verbal indication of interest of $45.00 per share of the Company s common stock (this represented a premium of 106% relative to the closing price of the Company s Class A common stock on September 9, 2011). Mr. Brimecome informed Mr. Rosenkranz that the top of Tokio Marine s range for the value of the Company was $40.00 per share, but that Tokio Marine was willing to offer $45.00 per share in light of the potential synergies that might be realized if Tokio Marine acquired the Company, and that $45.00 per share was the maximum amount Tokio Marine would consider paying to acquire the Company.

On September 16, 2011, a special telephonic meeting of the Board was held to discuss Tokio Marine s potential interest in acquiring the Company. Mr. Chad W. Coulter, Senior Vice President, General Counsel and Secretary of the Company, and Mr. Kiratsous also participated in a portion of the meeting. During this meeting, Mr. Rosenkranz informed the directors of the events that had occurred following the last Board meeting on August 3, 2011, including that Tokio Marine had proposed an initial indication of interest in the range of $33.00 to $35.00 per share of the Company s common stock on September 7, 2011, that he had informed Tokio Marine that in his view this range was too low, that he subsequently conveyed to Tokio Marine his expectation that Tokio Marine s initial offer would have been in the range of 1.5x to 2.0x the Company s reported book value per share, and that Tokio Marine had proposed a revised indication of interest of $45.00 per share of the Company s common stock on September 12, 2011 (which Tokio Marine had indicated was the maximum amount it would

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consider paying to acquire the Company). Mr. Rosenkranz also informed the directors that he did not find Tokio Marine s offer compelling from a personal standpoint and was unlikely to vote in favor of a merger transaction with Tokio Marine at a price of $45.00 per share of the Company s common stock. Mr. Rosenkranz indicated that from a personal standpoint he would likely be more interested in a transaction if it were at two times the book value per share of the Company. Mr. Sherman raised with the Board the possibility of structuring a transaction with Tokio Marine whereby the Class B shares would receive higher consideration than the Class A shares. Mr. Rosenkranz stated that the possibility of a differential consideration transaction should be explored, but said that if the Board decided to pursue a differential consideration transaction, he would not support such a transaction unless (1) the Board appointed a special committee consisting of independent directors and (2) the potential transaction was conditioned upon the approval of a majority of the disinterested Class A stockholders. The independent directors determined that it was advisable and in the best interests of the Company s Class A stockholders and the Company to form a special committee, initially consisting of all of the independent directors: Messrs. Kevin R. Brine, Edward A. Fox, Steven A. Hirsh, James M. Litvack, James N. Meehan and Robert F. Wright and Dr. Philip R. O Connor. After Messrs. Rosenkranz, Sherman, Ilg, Kiratsous and Coulter left the meeting, an executive session of the independent directors was held to discuss, among other things, the retention of qualified and independent legal and financial advisors.

Later on September 16, 2011, and then again on September 19, 2011, Mr. Fox and a representative of Cravath, Swaine & Moore LLP, which we refer to as Cravath , had several telephone conversations regarding the legal representation of the special committee. Mr. Fox and the Cravath representative discussed Cravath s qualifications and experience, and the Cravath representative informed Mr. Fox that Cravath had no conflicts with representing a special committee of the Board and that Cravath was independent with respect to each of the Company, Tokio Marine and Mr. Rosenkranz.

On September 20, 2011, a telephonic meeting of the Board (excluding Messrs. Rosenkranz, Sherman and Ilg, each of whom had recused himself) was held. After a discussion, the directors determined to retain Cravath to advise the special committee on a potential transaction with Tokio Marine. Shortly thereafter, representatives of Cravath joined the meeting to discuss with the directors their fiduciary obligations, the various legal requirements, obligations and process considerations of a special committee (including that the special committee would only be representing the interests of the Class A stockholders in connection with a potential transaction and not the interests of the Class B stockholders), the make-up of the special committee and the potential use and implications of differential consideration in any potential transaction (including the terms of the certificate of incorporation relating to the equal treatment of shares of Class A and Class B common stock in a merger and the need to amend the certificate of incorporation if a merger agreement were to provide for differential consideration). The directors also discussed the retention of an independent financial advisor and, after ruling out a number of financial advisors that the directors determined had conflicts or were not independent of the Company, Mr. Rosenkranz or Tokio Marine, the directors asked a representative of Cravath to confirm with each of Lazard and another major investment banking firm whether it had any conflicts or independence issues. The directors determined that if both financial advisors met the criteria, they would further discuss which advisor to engage, and if only one of the financial advisors was independent and not conflicted, their intention was to engage that bank. After representatives of Cravath left the meeting, the independent directors discussed which of the independent directors would continue to serve on the special committee, and tentatively determined that Messrs. Fox, Hirsh, Litvack and Meehan and Dr. O Connor would serve on the special committee. The directors determined that, although Mr. Brine and Mr. Wright were independent under the rules of the NYSE and would likely be considered independent for Delaware law purposes, neither Mr. Brine nor Mr. Wright would serve on the special committee because of the desire to have a special committee with fewer than seven directors and because of Mr. Brine s and Mr. Wright s social and business relationships with Mr. Rosenkranz. While those relationships were viewed as immaterial to the question of whether these two directors were independent of Mr. Rosenkranz, they were relationships of a type that the other five independent directors did not have.

Following the meeting of the Board on September 20, 2011, a representative of Cravath contacted Lazard and the other financial advisor. Over the course of the next few days, after it was determined that the other

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investment banking firm was conflicted and that Lazard did not have any conflicts and was independent of the Company, Mr. Rosenkranz and Tokio Marine, Lazard began preliminary discussions with the Company s senior management and received certain financial information from the Company s senior management.

On September 21, 2011, a representative of Cravath met with Mr. Rosenkranz, Mr. Sherman, Mr. Kiratsous and Mr. Coulter. During this meeting, Mr. Rosenkranz informed the representative of Cravath that he would only be willing to support the potential transaction with Tokio Marine if the Class B stockholders received significantly higher consideration for their Class B shares than $45.00 per share. Given that Tokio Marine had previously expressed that it was important from Tokio Marine s perspective for Tokio Marine to retain the Company s senior management team if a transaction were to occur, Mr. Rosenkranz also raised the question of when an appropriate time would be to begin discussions with Tokio Marine regarding post-closing compensation, retention and employment arrangements, which the representative of Cravath informed Mr. Rosenkranz would not be permissible at that time.

On September 21, 2011, Mr. Brimecome emailed Mr. Rosenkranz suggesting that Mr. Rosenkranz meet with representatives of Tokio Marine in New York City on September 27, 2011. In response to this email, Mr. Rosenkranz sent an email to Mr. Brimecome to inform him that (1) the Board had established a special committee (which had hired Cravath as its legal advisor and was in the process of hiring a financial advisor) and (2) he was hopeful that the financial advisor would be up to speed by the end of the following week. Mr. Rosenkranz and Mr. Brimecome exchanged additional emails in which they scheduled a lunch meeting on September 27, 2011, between representatives of Tokio Marine and members of the Company s senior management for the purpose of giving the parties an opportunity to get better acquainted.

On September 26, 2011, Mr. Rosenkranz engaged Cleary Gottlieb Steen & Hamilton LLP, which we refer to as Cleary , to advise him on the potential transaction with Tokio Marine in his personal capacity as a beneficial owner of Class B common stock.

On September 26, 2011, a telephonic meeting of the Board was held to formally establish, and set forth the mandate of, and delegations of authority to, the special committee. Mr. Coulter, Mr. Kiratsous and representatives of Cravath also participated in the meeting. The members of the Board confirmed that it was advisable and in the best interests of the Company s Class A stockholders and the Company to form a Special Committee, which we refer to as the Special Committee , consisting of Messrs. Fox, Hirsh, Litvack and Meehan and Dr. O Connor. The Board delegated full power and authority to the Special Committee (subject to applicable law) to take any action that the Board itself could take in connection with a possible transaction with Tokio Marine, including but not limited to the power and authority to:

represent, consider and advance the interests of the Class A stockholders in connection with the potential transaction with Tokio Marine or any alternative transaction;

formulate, establish, oversee, control and direct a process for the evaluation and negotiation of the potential transaction with Tokio Marine and any alternative transaction;

review and evaluate the potential transaction with Tokio Marine and any alternative transaction;

if the Special Committee determines that such action is advisable, negotiate the terms and conditions of the potential transaction with Tokio Marine (and any related agreements or documents), including but not limited to the total consideration to be paid by Tokio Marine in connection therewith;

solicit, review and evaluate, and negotiate the terms and conditions of, any alternative transaction (and any related agreements or documents) if and to the extent the Special Committee determines such action is advisable;

make recommendations to the Board in respect of the potential transaction with Tokio Marine or any alternative transaction, including but not limited to any recommendation to not proceed with or to recommend that the Company s stockholders reject the potential transaction with Tokio Marine or any alternative transaction;

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make recommendations to the Board that the Board take other actions or consider other matters that the Special Committee may determine are necessary or advisable or appropriate with respect to the potential transaction with Tokio Marine or any alternative transaction;

approve any transaction (including but not limited to any transaction resulting in a person becoming an interested stockholder) for purposes of Section 203 of the Delaware General Corporation Law;

approve any actions or agreements and other documents as the Special Committee deems advisable in connection with the exercise of its authority pursuant to these resolutions;

authorize, empower or direct the officers and employees of the Company and its subsidiaries, and any of them, for and on behalf of the Company, to provide the Special Committee with such information (including but not limited to books, records, financial statements and projections with respect to the Company or any of its subsidiaries) and assistance requested by the Special Committee and to negotiate, execute and deliver, and to cause the performance of, or waiver of rights under, any such agreement, undertaking, documents or instruments as may be necessary or advisable for the Special Committee to perform its functions, including but not limited to any engagement letter, indemnification agreement, confidentiality agreement, nonsolicitation agreement or standstill agreement; and

retain, at the Company s expense, such legal, financial and other advisors and consultants or experts as the Special Committee may from time to time deem advisable in its sole discretion.

The Board further resolved that the Board could not approve or recommend to the Company s stockholders a potential transaction with Tokio Marine or any alternative transaction without the prior favorable recommendation of the Special Committee.

Later on September 26, 2011, immediately after the Board meeting, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, with Mr. Fox serving as chairman. Messrs. Brine, Coulter and Wright and representatives of Cravath also participated in the meeting. The members of the Special Committee discussed the formation of a Sub-Committee of the Special Committee, which we refer to as the Special Committee Sub-Committee , and determined that it was advisable and in the best interests of the Company s Class A stockholders and the Company to form the Special Committee Sub-Committee, consisting of Mr. Fox (who also would serve as chairman of the Special Committee Sub-Committee), Mr. Meehan and Dr. O Connor. The directors determined that, although Mr. Hirsh and Mr. Litvack were independent of Mr. Rosenkranz, neither Mr. Hirsh nor Mr. Litvack would serve on the Special Committee Sub-Committee because they had known Mr. Rosenkranz for many decades (the longest period of time of the members of the Special Committee) and socialized infrequently with Mr. Rosenkranz. The members of the Special Committee formed the Special Committee Sub-Committee to act on the Special Committee s behalf in connection with any and all matters (including but not limited to the taking of any and all actions) in any way related to the participation or involvement by Mr. Rosenkranz or other Class B stockholders in, or any benefit to Mr. Rosenkranz or other Class B stockholders that is not shared on an equivalent basis with the Class A stockholders from, the potential transaction with Tokio Marine or any alternative transaction or in any way related to the Class B stockholders being treated in any way different from the Class A stockholders in the potential transaction with Tokio Marine or any alternative transaction, including but not limited to the power and authority to:

consider, review, evaluate and determine whether the potential transaction with Tokio Marine or any alternative transaction is in the best interests of the Class A stockholders;

take any and all actions relating to the allocation of the total consideration to be paid by Tokio Marine in connection with the potential transaction between the Class A stockholders and the Class B stockholders, including but not limited to engaging in arm s length negotiations relating to the allocation of the transaction consideration between the Class A stockholders, on the one hand, and the Class B stockholders, on the other hand, in the potential transaction with Tokio Marine or any alternative transaction;

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take any and all actions relating to any differential treatment that may be given, or any differential consideration that may be paid, to the Class B stockholders;

consider, review, evaluate and determine whether the consideration to be received in the potential transaction with Tokio Marine or any alternative transaction is fair to the Class A stockholders, taking into account any differential consideration paid to the Class B stockholders, if any;

take any and all actions relating to dealings, interactions, communications, discussions and negotiations by the Company with Mr. Rosenkranz or the Class B stockholders;

approve any transaction (including but not limited to any transaction resulting in a person becoming an interested stockholder) for purposes of Section 203 of the Delaware General Corporation Law; and

make recommendations to the Special Committee and the Board in respect of the potential transaction with Tokio Marine or any alternative transaction, including but not limited to any recommendation to not proceed with or to reject the potential transaction with Tokio Marine or any alternative transaction.

The Special Committee further resolved that the Special Committee could not approve or recommend a potential transaction with Tokio Marine or any alternative transaction without the prior favorable recommendation of the Special Committee Sub-Committee.

At this same meeting, the Special Committee confirmed that it would engage Lazard as its independent financial advisor based on Lazard s qualifications, independence, expertise and reputation in investment banking, mergers and acquisitions and special committee assignments, as well as the strength of its financial institutions group. The Special Committee also authorized and approved the September 27, 2011 lunch meeting between Messrs. Rosenkranz, Sherman and Kiratsous and representatives of Tokio Marine.

On September 27, 2011, there was a lunch meeting between Messrs. Rosenkranz, Sherman and Kiratsous and Mr. Brimecome and Mr. James J. Maguire, Jr., Chairman and Chief Executive Officer of Philadelphia Consolidated Holding Corp., which was acquired by Tokio Marine in 2008, in New York City. The meeting consisted of informal conversation, including a discussion of Mr. Maguire s experience when Tokio Marine acquired Philadelphia Consolidated Holding Corp. During this meeting Mr. Rosenkranz informed the representatives of Tokio Marine that he and other members of the Company s management could not discuss any potential post-closing compensation, retention or employment arrangements with representatives of Tokio Marine at that time. As instructed by the Special Committee, the meeting participants did not discuss the price or other terms of any potential transaction between Tokio Marine and the Company.

On September 29, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss the process and timing of Lazard s preliminary valuation of the Company and to receive Lazard s initial views. Messrs. Brine, Coulter and Wright and representatives of Cravath, Lazard and Morris, Nichols, Arsht & Tunnell LLP, counsel to the Company, which we refer to as Morris Nichols , also participated in a portion of or all of the meeting.

On October 3, 2011, a representative of Cleary called a representative of Cravath to propose holding a meeting on Friday, October 7, 2011, with Mr. Rosenkranz, Mr. Fox and representatives of Cravath and Lazard, to allow Mr. Rosenkranz to give the representatives of the Special Committee Sub-Committee his specific proposal on consideration for the Class B shares. That same day, Mr. Rosenkranz called Mr. Fox and informed him of his desire to hold the proposed meeting.

On October 6, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss Lazard s preliminary views on the valuation of the Company. Representatives of Cravath also participated in the meeting. Messrs. Brine, Coulter, Kiratsous, Sherman and Wright and representatives of Morris Nichols also joined the meeting to review Lazard s preliminary analysis with the Special Committee. During this meeting, representatives of Lazard made a presentation to the members

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of the Special Committee that included, among other things, an overview of the Company and its financial forecasts, a review of selected companies in the insurance industry whose operations Lazard believed to be relevant for purposes of its analyses of the Company, various analyses on standalone and takeover valuations of the Company (these analyses included a comparable company, sum-of-the-parts, dividend discount, precedent transactions and premiums paid analysis) and an assessment of other potential buyers of the Company. After Messrs. Brine, Coulter, Kiratsous, Sherman and Wright and representatives of Lazard and Morris Nichols left the meeting, the Special Committee proceeded to formally retain Lazard as its financial advisor and authorized and determined to instruct Lazard to share the presentation materials with Mr. Rosenkranz.

Later on October 6, 2011, immediately following the Special Committee meeting, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee. Representatives of Cravath and Lazard also participated in the meeting. Mr. Fox and a representative of Cravath each described the respective conversations with Mr. Rosenkranz and Mr. Rosenkranz s attorney that had occurred on October 3, 2011. During this meeting, the members of the Special Committee Sub-Committee authorized the meeting between Mr. Rosenkranz and his attorneys and Mr. Fox and representatives of the Special Committee Sub-Committee scheduled for October 7, 2011.

On October 7, 2011, a representative of Macquarie contacted Mr. Rosenkranz to schedule a meeting for October 14, 2011 to discuss Tokio Marine s revised offer.

On October 7, 2011, at the prior direction of the Special Committee, a meeting was held between Messrs. Rosenkranz, Sherman and Kiratsous and representatives of Lazard to discuss Lazard s financial analyses of the Company that had been presented to the Special Committee on October 6, 2011.

Later on October 7, 2011, a meeting was held between Mr. Fox, Mr. Rosenkranz and representatives of Cravath, Lazard and Cleary. At this meeting, Mr. Rosenkranz insisted that the Class B shares receive $59.00 per share, assuming a blended price of $45.00 (by blended price we mean the aggregate number of shares of the Company s Class A and Class B common stock multiplied by the price per share contemplated to be paid for such shares in the merger divided by the aggregate number of shares of the Company s Class A and Class B common stock, which at the time resulted in a price of $45.00 per share for all shares of the Company s common stock), which would have resulted in the Class A shares receiving approximately $43.00 per share, and that any further increase in Tokio Marine s offer be shared equally between the Class A and Class B shares on a dollar-for-dollar basis.

Later on October 7, 2011, after the meeting between Mr. Rosenkranz and representatives of the Special Committee Sub-Committee described in the preceding paragraph, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee, to inform Mr. Meehan and Dr. O Connor of Mr. Rosenkranz s proposal. The Special Committee Sub-Committee had an initial discussion regarding his proposal. Representatives of Cravath and Lazard also participated in the meeting.

On October 10, 2011, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee, to further discuss Mr. Rosenkranz s proposal and his request for differential consideration. Representatives of Cravath and Lazard also participated in the meeting. At this meeting, representatives of Lazard reviewed a presentation with the directors, which included a financial analysis of Mr. Rosenkranz s proposal on a possible differential consideration transaction, a review of precedent acquisitions of companies with dual-class structures (including those that did not provide for differential consideration, which constituted the overwhelming majority of such transactions), a review of the levels of differential consideration in precedent transactions that provided for differential consideration and various metrics in connection with evaluating the size of the premium to high vote stockholders in differential consideration transactions in comparison to Mr. Rosenkranz s proposal. During the meeting, the members of the Special Committee Sub-Committee discussed the possibility of running an auction or quietly shopping the

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Company to other potential buyers, and considered the risk of a leak disrupting the Company s ongoing business as well as its dialogue with Tokio Marine and the low possibility that there would be other bidders willing to offer a topping price to Tokio Marine s current offer. The members of the Special Committee Sub-Committee also discussed the role that Mr. Rosenkranz should play, if any, in any negotiations with Tokio Marine. At the end of the meeting, after discussing their concerns regarding a transaction involving differential consideration, the members of the Special Committee Sub-Committee determined that urging Mr. Rosenkranz to accept the same consideration as the Class A stockholders was in the best interests of the Class A stockholders.

During the morning of October 11, 2011, Mr. Fox called Mr. Rosenkranz to urge Mr. Rosenkranz to reconsider his request for higher consideration than the Class A stockholders. Mr. Fox outlined a number of reasons why the Special Committee Sub-Committee believed that Mr. Rosenkranz should forgo his request, but at the end of the call Mr. Rosenkranz informed Mr. Fox that under no circumstances would Mr. Rosenkranz vote in favor of a transaction that did not pay Mr. Rosenkranz significantly more than $45.00 per share for his Class B common stock.

During the afternoon of October 11, 2011, there was a conference call between Mr. Fox, Mr. Meehan, Dr. O Connor and Mr. Rosenkranz, during which all of the members of the Special Committee Sub-Committee argued against pursuing a differential consideration transaction and urged Mr. Rosenkranz to accept equal consideration for his shares of Class B common stock. Mr. Rosenkranz reiterated to the directors that he would only vote in favor of a transaction that provided for a price of significantly more than $45.00 per share for the Class B common stock.

Later on October 11, 2011, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee, to discuss the phone conversations between the members of the Special Committee Sub-Committee and Mr. Rosenkranz that had taken place earlier that day. Representatives of Cravath and Lazard also participated in the meeting. The members of the Special Committee Sub-Committee discussed their concerns regarding differential consideration, the likelihood of Mr. Rosenkranz changing his position and the risk of losing the favorable potential transaction with Tokio Marine as a result of not coming to an agreement with Mr. Rosenkranz on differential consideration. After discussion, the members of the Special Committee Sub-Committee decided to tell Mr. Rosenkranz that they would very reluctantly be willing to consider a differential consideration transaction, but only if the incremental per share premium paid to the Class B stockholders would be less than 10%, which was at the low end of the range of per-share incremental premiums that had been paid to high-vote stockholders in precedent differential consideration transactions (a 10% incremental per share premium would have equated to an aggregate incremental premium of approximately 1.2% of the equity value of the transaction (equity value calculated assuming holders of Class A common stock and Class B common stock would be receiving $44.45 per share of common stock rather than the applicable merger consideration), which was at the low end of the range of aggregate incremental premiums that had been paid to high-vote stockholders in precedent differential consideration transactions).

On October 12, 2011, Mr. Fox called Mr. Rosenkranz and informed him that the Special Committee Sub-Committee was very reluctantly willing to consider a differential consideration transaction, but only if the incremental per share premium received by the Class B stockholders was less than 10%. Mr. Rosenkranz countered with a proposal that the Class B stockholders receive $55.50 per share, which implied that the Class A stockholders would receive approximately $43.50 per share, and that any further increase in Tokio Marine s offer (and he was skeptical that there would be an increase by Tokio Marine) be shared equally between the Class A and Class B shares on a dollar-for-dollar basis. At the end of the phone conversation, Mr. Fox reiterated to Mr. Rosenkranz that the Special Committee Sub-Committee was not willing to agree to differential consideration at the level Mr. Rosenkranz was proposing, and Mr. Rosenkranz responded that the Special Committee Sub-Committee s proposal was unacceptable to him.

In the afternoon on October 12, 2011, after the phone conversation between Mr. Fox and Mr. Rosenkranz had occurred, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by

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all members of the Special Committee Sub-Committee, to discuss the conversation between Mr. Fox and Mr. Rosenkranz and Mr. Rosenkranz s most recent proposal. Representatives of Cravath and Lazard also participated in the meeting. During this meeting, the directors discussed the possible scenarios that could play out prior to the October 14, 2011 meeting between the Company and Tokio Marine and the pros and cons of each of the scenarios, including the risks of canceling the October 14, 2011 meeting if they were unable to reach an agreement with Mr. Rosenkranz on the differential consideration issue. After discussion, the Special Committee Sub-Committee determined not to make a counterproposal to Mr. Rosenkranz and to wait to see if Mr. Rosenkranz called Mr. Fox or any other Special Committee Sub-Committee representative to respond to what he had heard from Mr. Fox earlier that day.

Later in the afternoon on October 12, 2011, after the Special Committee Sub-Committee meeting, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee. Representatives of Cravath and Lazard also participated in the meeting. During this meeting, Mr. Fox updated the members of the Special Committee on the discussions and negotiations between the members of the Special Committee Sub-Committee and Mr. Rosenkranz, including Mr. Rosenkranz s insistence on a differential consideration transaction and the Special Committee Sub-Committee s concern that Mr. Rosenkranz would walk away from the potential transaction if the transaction did not provide the Class B stockholders with significantly more than $45.00 per share, which would result in a material premium being paid to the Class B shares relative to what the Class A shares would receive. At this meeting, the members of the Special Committee also considered whether the Company should attempt to privately solicit other bidders or publicly announce that the Company was considering selling itself, the likelihood of another bidder topping Tokio Marine s current offer of $45.00 per share of the Company s common stock and the risks associated with contacting third parties.

On October 13, 2011, a representative of Cleary called a representative of Cravath to inform him that Mr. Rosenkranz s proposal of $55.50 per share for the Class B stockholders, which would result in approximately $43.50 per share for the Class A stockholders, was Mr. Rosenkranz s bottom line and final offer and that Mr. Rosenkranz would require any further increase in Tokio Marine s offer to be shared equally between the Class A shares and Class B shares on a dollar-for-dollar basis. The Cleary representative added that Mr. Rosenkranz thought it was unlikely that Tokio Marine would increase the size of Tokio Marine s offer.

Later on October 13, 2011, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee. Representatives of Cravath and Lazard also participated in the meeting. During this meeting, the members of the Special Committee Sub-Committee discussed the Cleary call to Cravath and possible responses to Mr. Rosenkranz in light of the upcoming meeting scheduled for Friday, October 14, 2011 with Tokio Marine. After considering the risks that canceling the meeting posed, the members of the Special Committee Sub-Committee determined that it was in the best interests of the Class A stockholders not to cancel or postpone the meeting with Tokio Marine. After discussion, the directors also determined that Mr. Fox should contact Mr. Rosenkranz and reiterate that the Special Committee Sub-Committee would not consider a differential consideration transaction unless the incremental per share premium that the Class B shares would receive relative to the Class A shares was less than 10%.

Later on October 13, 2011, after the Special Committee Sub-Committee meeting, Mr. Fox called Mr. Rosenkranz and informed him that the Special Committee Sub-Committee was not willing to consider proceeding with a differential consideration transaction unless the incremental per share premium that the Class B shares would receive relative to the Class A shares was less than 10%. Mr. Rosenkranz insisted on a transaction in which the Class B stockholders would receive $55.50 per share, which would have resulted in the Class A stockholders receiving approximately $43.50 per share, and that any additional consideration offered by Tokio Marine would be shared equally on a dollar-for-dollar basis between the Class A and Class B stockholders. Despite their disagreement on differential consideration, Mr. Fox and Mr. Rosenkranz agreed that the October 14, 2011 meeting should still be held and Mr. Fox informed Mr. Rosenkranz that representatives of Lazard would be attending that meeting and told Mr. Rosenkranz not to discuss differential consideration at that meeting.

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Later on October 13, 2011, after the telephone conversation between Mr. Fox and Mr. Rosenkranz had occurred and at the prior direction and authorization of the Special Committee, there was a meeting between Messrs. Rosenkranz, Sherman and Kiratsous and representatives of Lazard to discuss the tactics and approach for the October 14, 2011 meeting with Tokio Marine.

In the morning on October 14, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss the proposed approach for the meeting with representatives of Tokio Marine scheduled for later that day. Representatives of Cravath and Lazard also participated in the meeting. During this meeting, the members of the Special Committee determined that Mr. Rosenkranz would be permitted to attend the meeting and to participate in the negotiations on behalf of the Company. The Special Committee also determined to grant authority to Lazard and Mr. Rosenkranz to ask Tokio Marine to increase its offer price to $48.50 per share of the Company s common stock, as well as the authority, if they determined that circumstances warranted, to tell Tokio Marine that they would recommend a price of $47.00 per share or higher to the Special Committee.

Later on October 14, 2011, after the Special Committee meeting, a meeting was held between Messrs. Rosenkranz, Sherman, Kiratsous, Brimecome, Fujii and Kittaka and representatives of Lazard and Macquarie in New York City. During this meeting, representatives of Lazard and Mr. Rosenkranz asked Tokio Marine to raise its offer price to $48.50 per share of the Company s common stock. The representatives of Tokio Marine indicated that they would respond to the Company s proposal early the following week, but reminded the representatives of Lazard and Mr. Rosenkranz that Tokio Marine had already told them that $45.00 per share was Tokio Marine s maximum price.

Later on October 14, 2011, following the meeting described in the immediately preceding paragraph, a second telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, so that Lazard could update the Special Committee on the meeting with representatives of Tokio Marine. Representatives of Cravath and Lazard also participated in the meeting. During this meeting, representatives of Lazard also informed the directors that the Company s senior management currently anticipated that the Company s third quarter earnings would be slightly below the current Street expectations on October 25, 2011. The members of the Special Committee concluded that there were potential benefits in reaching an agreement with Tokio Marine on value prior to the Company s earnings announcement.

On October 17, 2011, Mr. Brimecome called Mr. Rosenkranz and informed him that the offer of $45.00 per share of the Company s common stock was Tokio Marine s best and final offer and that Tokio Marine was not going to increase its price. Mr. Rosenkranz countered and raised with Mr. Brimecome the idea of Tokio Marine paying $45.00 per share of the Company s common stock plus a $2.00 special dividend per share at or around the time of the closing of the potential transaction (this represented a premium of 93% relative to the closing price of the Company s Class A common stock on October 14, 2011). Mr. Brimecome concluded the phone conversation by informing Mr. Rosenkranz that Tokio Marine would respond to this proposal within one to two days. Shortly thereafter, Mr. Rosenkranz had a phone conversation with a representative of Lazard to inform him of the phone conversation he had with Mr. Brimecome.

On October 19, 2011, Mr. Brimecome called Mr. Rosenkranz and informed him that Tokio Marine had rejected Mr. Rosenkranz s proposal of $45.00 per share of the Company s common stock plus a $2.00 special dividend per share, and instead proposed to pay $45.00 per share of the Company s common stock plus a $1.00 special dividend per share (this represented a premium of 84% relative to the closing price of the Company s Class A common stock on October 18, 2011). Mr. Brimecome indicated to Mr. Rosenkranz that this was truly Tokio Marine s best and final offer. Mr. Rosenkranz informed Mr. Brimecome that he would take Tokio Marine s proposal to the Special Committee for consideration.

Later on October 19, 2011, after Mr. Rosenkranz had spoken with Mr. Brimecome, Mr. Rosenkranz called Mr. Fox and informed him that Tokio Marine had revised its offer to $45.00 per share of the Company s common stock plus a $1.00 special dividend per share and that Mr. Brimecome had stated this was truly Tokio Marine s

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best and final offer. Mr. Rosenkranz then informed Mr. Fox that Mr. Rosenkranz would not support, and was prepared to walk away from, a potential transaction with Tokio Marine unless the Class B stockholders received total consideration (including the special dividend) of $56.50 per share, resulting in the Class A stockholders receiving total consideration (including the special dividend) of approximately $44.50 per share.

Later on October 19, 2011, after the phone conversation between Mr. Fox and Mr. Rosenkranz had occurred, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee. Representatives of Cravath and Lazard also participated in the meeting. During this meeting, the directors discussed Tokio Marine s revised offer of $45.00 plus a $1.00 special dividend, Mr. Rosenkranz s most recent proposal and the possible responses to Mr. Rosenkranz s proposal. During this discussion, a representative of Cleary called a representative of Cravath to inform him that Mr. Rosenkranz was not wavering from his proposal, would not agree to negotiate it further and was very comfortable walking away from a potential transaction with Tokio Marine if the Special Committee Sub-Committee was not willing to move forward on the basis of $56.50 per Class B share (including the special dividend). At this meeting and at all subsequent meetings, the Special Committee Sub-Committee and its advisors viewed the special dividend as a form of additional merger consideration and all analyses subsequently prepared by the Special Committee Sub-Committee s advisors treated the special dividend in this manner. After further discussion, the Special Committee Sub-Committee determined that Mr. Fox would contact Mr. Rosenkranz and respond with a revised proposal providing that the Class A stockholders receive total consideration (including the special dividend) of $45.25 per share and the Class B stockholders receive total consideration (including the special dividend) of $51.25 per share.

On October 20, 2011, Mr. Fox had several phone conversations with Mr. Rosenkranz, during which Mr. Fox informed Mr. Rosenkranz that the Special Committee Sub-Committee could not approve of Mr. Rosenkranz s proposal and urged Mr. Rosenkranz to carefully consider the Special Committee Sub-Committee s proposal under which the Class A stockholders would receive total consideration (including the special dividend) of $45.25 per share and the Class B stockholders would receive total consideration (including the special dividend) of $51.25 per share. In the last of these phone conversations, Mr. Rosenkranz proposed to Mr. Fox that the Class A stockholders receive total consideration (including the special dividend) of approximately $44.75 per share, resulting in the Class B stockholders receiving total consideration (including the special dividend) of approximately $54.75 per share. Mr. Fox concluded the call by telling Mr. Rosenkranz that he would take that proposal back to the Special Committee Sub-Committee for consideration.

Later on October 20, 2011, after the phone conversations between Mr. Fox and Mr. Rosenkranz had occurred, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss the events that had occurred following the last Special Committee meeting on October 14, 2011. At this meeting and at all subsequent meetings, the Special Committee and its advisors viewed the special dividend as a form of additional merger consideration and all analyses subsequently prepared by the Special Committee s advisors treated the special dividend in this manner. Representatives of Cravath and Lazard also participated in the meeting.

Later on October 20, 2011, immediately following the Special Committee meeting, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee, to discuss Mr. Rosenkranz s most recent proposal. Representatives of Cravath and Lazard also participated in the meeting. The members of the Special Committee Sub-Committee discussed the possible responses to Mr. Rosenkranz s most recent proposal and considered the risks and likelihood of Mr. Rosenkranz walking away from the transaction if the Special Committee Sub-Committee did not agree to his proposal. After discussion, the members of the Special Committee Sub-Committee determined that Mr. Fox would call Mr. Rosenkranz and continue to insist that the Class A stockholders receive total consideration (including the special dividend) of $45.25 per share in the potential transaction with Tokio Marine. The members of the Special Committee Sub-Committee also authorized a representative of Cravath to call Mr. Rosenkranz s attorneys to confirm the substance of the conversations that had occurred that morning between Mr. Rosenkranz and Mr. Fox.

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Later on October 20, 2011, after the Special Committee Sub-Committee meeting, a representative of Cravath, on behalf of the Special Committee Sub-Committee, had two phone conversations with representatives of Cleary. During the first phone conversation, the representative of Cravath reiterated the Special Committee Sub-Committee s position to the representatives of Cleary. During the second phone conversation, a representative of Cleary informed the representative of Cravath that Mr. Rosenkranz would not budge from his proposal that Class A stockholders receive total consideration (including the special dividend) of $44.75 per share, resulting in the Class B stockholders receiving total consideration (including the special dividend) of approximately $54.75 per share. The representative of Cravath informed the representative of Cleary that he would inform the Special Committee Sub-Committee of Mr. Rosenkranz s position.

Later on October 20, 2011, after Mr. Fox had spoken with the representative of Cravath about the phone conversations he had with representatives of Cleary, Mr. Fox called Mr. Rosenkranz and informed him that the Special Committee Sub-Committee could not recommend proceeding with a transaction unless the Class A stockholders received at least $45.25 per share (including the special dividend). Mr. Rosenkranz refused to move off of his most recent proposal and told Mr. Fox that he could not understand the basis for the Special Committee Sub-Committee s position.

Later, during the evening of October 20, 2011, Mr. Sherman called Mr. Fox and urged that he and the other members of the Special Committee Sub-Committee reach an agreement with Mr. Rosenkranz as quickly as possible. Mr. Sherman indicated to Mr. Fox that he thought it was an excellent transaction for the Class A stockholders on the terms proposed by either the Special Committee Sub-Committee or Mr. Rosenkranz. In addition, Mr. Sherman told Mr. Fox that because Tokio Marine had made an offer at the beginning of the week of October 17, 2011, Mr. Sherman thought that it was important to respond to Tokio Marine by the end of that week (that is before the close of business on October 21, 2011 in Tokyo, Japan, which was the morning of October 21, 2011, New York City time). Mr. Sherman told Mr. Fox that he was concerned that if Tokio Marine had not heard back by the end of the week in which Tokio Marine had made its offer, it could raise questions from Tokio Marine s perspective about the interest of the Special Committee and the Company in pursuing the transaction and, therefore, the potential transaction could be put at risk.

In the morning on October 21, 2011, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee. Representatives of Cravath and Lazard also participated in the meeting. After the members of the Special Committee Sub-Committee discussed the details of the various phone conversations that had occurred on October 20, 2011 and how the Special Committee Sub-Committee should respond to Mr. Rosenkranz in light of those phone conversations, the directors determined that Mr. Fox would call Mr. Rosenkranz to inform him once again that the Special Committee Sub-Committee could not recommend proceeding with a transaction unless the Class A stockholders received total consideration (including the special dividend) of at least $45.25 per share.

Later in the morning on October 21, 2011, after the Special Committee Sub-Committee meeting, Mr. Fox called Mr. Rosenkranz and explained to him that the Special Committee Sub-Committee could not recommend proceeding with a transaction unless the Class A stockholders would receive at least total consideration (including the special dividend) of $45.25 per share. During their discussion, Mr. Rosenkranz expressed to Mr. Fox that he was unwilling to change his position and was prepared to walk away from the potential transaction. Mr. Fox informed Mr. Rosenkranz that he would report Mr. Rosenkranz s view to the Special Committee Sub-Committee.

Later in the morning on October 21, 2011, after the call between Mr. Fox and Mr. Rosenkranz described in the previous paragraph, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee. Representatives of Cravath and Lazard also participated in the meeting. The directors discussed the substance of the phone conversation between Mr. Fox and Mr. Rosenkranz and how they would respond to Mr. Rosenkranz. During the discussion, a representative of Cravath discussed with the directors the Special Committee Sub-Committee s duties and obligations under

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applicable law in connection with its negotiations with Mr. Rosenkranz. After further discussion, the directors determined that Mr. Fox would call Mr. Rosenkranz and inform him that the Special Committee Sub-Committee was prepared to recommend proceeding with a transaction in which the Class A stockholders would receive total consideration (including the special dividend) of $45.00 per share, resulting in the Class B stockholders receiving approximately $52.90 per share.

Later on October 21, 2011, after the second Special Committee Sub-Committee meeting, Mr. Fox had a phone conversation with Mr. Rosenkranz to inform him that the Special Committee Sub-Committee would recommend proceeding with a transaction that provided that the Class A stockholders receive $45.00 per share (including the special dividend). Mr. Rosenkranz informed Mr. Fox that he was willing to walk away from the potential transaction with Tokio Marine if the Special Committee Sub-Committee did not agree to his proposal in which Class A stockholders would receive total consideration (including the special dividend) of $44.75 per share. After further discussion and under the belief that Mr. Rosenkranz was ready to abandon the potential transaction, Mr. Fox indicated that he was prepared to take to the Special Committee Sub-Committee a proposal in which Class A stockholders would receive total consideration (including the special dividend) of $44.875 per share and Class B stockholders would receive total consideration (including the special dividend) of $53.875 per share. Mr. Rosenkranz agreed to this proposal.

Later on October 21, 2011, after the call between Mr. Fox and Mr. Rosenkranz described in the previous paragraph, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee, to discuss the most recent proposal. Representatives of Cravath and Lazard also participated in the meeting. Representatives of Lazard reviewed and discussed with the directors the differential consideration materials that Lazard had provided to the directors prior to the meeting. After consideration, the Special Committee Sub-Committee determined that the current differential consideration proposal providing the Class A stockholders with $44.875 per share (including the special dividend) and the Class B stockholders with $53.875 per share (including the special dividend) would be in the best interests of the Class A stockholders, that the premium to be received by the Class B stockholders would be fair to the Class A stockholders, and that the Company should continue to pursue the potential transaction with Tokio Marine on the basis of the terms of this differential consideration proposal.

Later on October 21, 2011, after the meeting of the Special Committee Sub-Committee described in the previous paragraph, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to inform the Special Committee of the Special Committee Sub-Committee s recommendation. Representatives of Cravath and Lazard also participated in the meeting. Representatives of Lazard discussed with the directors the valuation materials that had been provided to the directors prior to the meeting. After discussion, the members of the Special Committee determined that the differential consideration proposal providing the Class A stockholders with total consideration (including the special dividend) of $44.875 per share was in the best interests of the Class A stockholders and that the Company should continue to pursue the potential transaction with Tokio Marine on the terms of the current proposal.

After the final Special Committee meeting on October 21, 2011, Mr. Fox contacted Mr. Rosenkranz and informed him of the Special Committee Sub-Committee s and Special Committee s decisions. Shortly thereafter, Mr. Rosenkranz called Mr. Brimecome and informed him that Tokio Marine s revised offer of $45.00 per share of the Company s common stock plus a $1.00 special dividend per share was acceptable and that, in connection with this offer, the Class A stockholders would receive $44.875 per share (including the special dividend) and the Class B stockholders would receive $53.875 per share (including the special dividend). The first time that Tokio Marine or any of its representatives learned of the possibility of a differential consideration transaction was during this phone call between Mr. Rosenkranz and Mr. Brimecome.

On October 25, 2011, a representative of Macquarie, on behalf of Tokio Marine, emailed a non-binding preliminary indication of interest letter, which we refer to as the letter of interest , to Mr. Rosenkranz, Mr. Sherman and a representative of Lazard. Among other things, the letter of interest proposed an offer of

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$45.00 per share of the Company s common stock, allocated as $43.875 per share of Class A common stock and $52.875 per share of Class B common stock, plus a $1.00 per share special dividend payable to all eligible shares, which pursuant to Tokio Marine s math equaled an aggregate consideration of $2.650 billion (representatives of Lazard and Macquarie subsequently clarified that this equaled an aggregate consideration of $2.661 billion). The letter of interest from Tokio Marine also included a non-binding provision that contemplated that the Company would not talk with other potential parties regarding a business combination prior to December 31, 2011, or, if it did so, would so inform Tokio Marine. In addition, the letter of interest specified that Tokio Marine expected that voting agreements with Tokio Marine would be part of any potential transaction, and Macquarie separately informed Mr. Kiratsous that a voting agreement with Mr. Rosenkranz and his affiliates would be an essential part of any potential transaction from Tokio Marine s standpoint.

After receiving the letter of interest on October 25, 2011, Mr. Kiratsous and a representative of Lazard had various phone conversations with a representative of Macquarie to clarify several terms of the letter of interest, including that the aggregate consideration calculated by Tokio Marine in the letter of interest would be increased by $11.0 million as a result of (1) a slightly higher than $46.00 blended per share price, calculated based on the allocation of $43.875 per share of Class A common stock and $52.875 per share of Class B, plus a $1.00 per share special dividend payable to all eligible shares and (2) option holders receiving the economic benefit of the special dividend. In addition, Mr. Kiratsous and a representative of Lazard requested that the non-binding provision that contemplated that the Company would not talk with other potential parties regarding a business combination prior to December 31, 2011 be removed from the letter of interest. Representatives of Macquarie responded that Tokio Marine felt this language was important, in light of the significant amount of time and money Tokio Marine would be investing as a result of its diligence process, and representatives of Macquarie stressed Tokio Marine s concerns about maintaining confidentiality and avoiding the risk of a leak.

Later on October 25, 2011, after the phone conversation between Mr. Kiratsous and representatives of Lazard and Macquarie, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss the letter of interest. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. Messrs. Brine, Coulter, Kiratsous, Rosenkranz, Sherman and Wright and Ms. Nita I. Savage, Vice President, Finance of the Company, also joined the meeting for the discussion of the letter of interest. During this meeting, the directors, with advice from representatives of Cravath and Lazard, discussed the terms of the letter of interest and the conversation that Mr. Kiratsous had with representatives of Lazard and Macquarie regarding the letter of interest prior to the Special Committee meeting. After discussion and after Messrs. Brine, Coulter, Kiratsous, Rosenkranz, Sherman and Wright and Ms. Savage left the meeting, the members of the Special Committee determined that the letter of interest (including the non-binding language regarding discussions with other potential acquirors) was a sound basis for moving forward with a potential transaction with Tokio Marine.

Later, during the evening of October 25, 2011, at the direction of the Special Committee, a representative of Lazard sent a representative of Macquarie an email to confirm the points from their prior conversation regarding the letter of interest, including that the special dividend or the economic benefit of the special dividend would be paid with respect to all shares and stock options, respectively.

From October 25, 2011 through December 20, 2011, representatives of Lazard, Macquarie, Tokio Marine, other advisors of Tokio Marine and the Company engaged in various due diligence sessions and discussions related to the potential transaction. These due diligence sessions included in-person meetings with senior management of Reliance Standard Life Insurance Company, which we refer to RSLIC , and Safety National Casualty Corporation, which we refer to as SNCC , the Company s two primary operating subsidiaries. In addition, following receipt of the letter of interest, the Company made available to Tokio Marine and its advisors an electronic data room, which was periodically updated with additional due diligence materials.

During the week of October 24, 2011, Mr. Rosenkranz requested that the Special Committee Sub-Committee and the compensation committee of the Board authorize the Company to deliver to

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Mr. Rosenkranz, on an accelerated basis, 357,724 shares of Class B common stock underlying 357,724 of Mr. Rosenkranz s vested RSUs. These shares would otherwise be deliverable upon various events, including a change-in-control transaction or Mr. Rosenkranz s death or termination.

On October 27, 2011, a representative of Macquarie emailed a representative of Lazard to inform him that representatives of Macquarie and Tokio Marine were still discussing the Company s request that option holders receive the economic benefit of the special dividend.

On October 31, 2011, Mr. Kiratsous sent a representative of Macquarie a copy of the Company s preliminary 2011 management plan, which the Special Committee had previously authorized the Company s senior management to provide to Tokio Marine during the Special Committee meeting on October 25, 2011. On November 1, 2011, there was a meeting between Mr. Sherman, Mr. Kiratsous, Mr. Thomas W. Burghart, Senior Vice President and Treasurer of the Company, and representatives of Lazard and Macquarie to discuss the Company s preliminary 2011 management plan and other general business and financial due diligence issues. Immediately following the meeting, a representative of Macquarie informed a representative of Lazard that Tokio Marine was agreeable with the Company s request that option holders receive the economic benefit of the special dividend.

On November 3, 2011, during a regular quarterly meeting of the Board, the Board approved the 2011 management plan, which we refer to as the 2011 management plan .

On November 4, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss the proposed terms for an initial draft of the merger agreement. Mr. Coulter and representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. After discussion, the members of the Special Committee authorized representatives of Cravath to provide an initial draft of the merger agreement based on the terms discussed to representatives of Tokio Marine and Sullivan & Cromwell LLP, which we refer to as Sullivan & Cromwell , counsel to Tokio Marine. The members of the Special Committee also authorized the members of the Company s management, other than Mr. Rosenkranz, to engage in discussions about potential post-closing compensation, retention and employment arrangements with representatives of Tokio Marine.

Immediately following the Special Committee meeting on November 4, 2011, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee, to discuss Mr. Rosenkranz s request to authorize the Company to deliver to Mr. Rosenkranz, on an accelerated basis, 357,724 Class B shares underlying 357,724 of Mr. Rosenkranz s vested RSUs, as part of his tax planning. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. During this meeting, the directors considered, among other things, the impact that early delivery of the shares would have on the Company, Tokio Marine and Mr. Rosenkranz, and whether it would be advisable to negotiate with Mr. Rosenkranz for the Class A shares to receive a portion of the value of the potential tax benefits that Mr. Rosenkranz might be able to obtain if his request was granted. After discussion, and consideration of the fact that Mr. Rosenkranz s request, if granted, would not decrease the consideration payable in the merger to the Class A stockholders or increase the consideration payable in the merger to the Class B stockholders, the members of the Special Committee Sub-Committee decided to grant Mr. Rosenkranz s request as long as representatives of Tokio Marine were informed and did not object. The Special Committee Sub-Committee also authorized Mr. Rosenkranz to engage in discussions about potential post-closing compensation, retention and employment arrangements with representatives of Tokio Marine.

On November 5, 2011, Mr. Fox called Mr. Rosenkranz to inform him of the Special Committee Sub-Committee s decision regarding Mr. Rosenkranz s request that the Company allow early delivery to Mr. Rosenkranz of 357,724 shares of Class B common stock underlying 357,724 of Mr. Rosenkranz s vested RSUs. During the week of November 7, 2011, Messrs. Kiratsous and Sherman informed a representative of Macquarie of Mr. Rosenkranz s request, and the representative of Macquarie did not object to the early delivery

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of the shares of Class B common stock underlying Mr. Rosenkranz s vested RSUs, subject to clearance by Tokio Marine (which clearance was later obtained). On November 10, 2011, a telephonic meeting of the compensation committee was held, during which the compensation committee authorized the Company to deliver the shares to Mr. Rosenkranz on an accelerated basis. On November 11, 2011, the Company delivered to Mr. Rosenkranz 357,724 shares of Class B common stock underlying 357,724 of Mr. Rosenkranz s vested RSUs.

On November 9, 2011, Messrs. Rosenkranz, Sherman and Kiratsous met with representatives of Tokio Marine in New York City to discuss potential post-closing compensation, retention and employment arrangements for the Company s senior management. In the course of this discussion, Messrs. Rosenkranz, Sherman and Kiratsous provided a presentation, which included a proposed term sheet, to the Tokio Marine representatives regarding the potential post-closing compensation, retention and employment arrangements for the Company s senior management. Between November 9, 2011 and December 17, 2011, there were further discussions between members of the Company s senior management and representatives of Tokio Marine regarding potential post-closing compensation, retention and employment arrangements. No post-closing compensation, retention or employment arrangements for the Company s senior management were resolved prior to announcing the transaction except for the creation of a $5 million aggregate retention bonus pool (discussed in the section titled The Merger Interests of Our Directors and Executive Officers in the Merger Retention Bonus Pool). Messrs Rosenkranz, Sherman and Kiratsous are not eligible to participate in this retention bonus pool.

On November 18, 2011, a representative of Cravath sent drafts of a proposed merger agreement and voting agreement to a representative of Sullivan & Cromwell.

On November 21, 2011, Mr. Rosenkranz met with Mr. Brimecome, Mr. Fujii and Mr. Shuzo Sumi, President of Tokio Marine, for dinner in Tokyo, Japan. That same evening, Messrs. Sherman and Kiratsous separately met with Mr. Nagano, Mr. Hiroshi Endo, Senior Managing Executive Officer of Tokio Marine, and Mr. Takaaki Tamai, Senior Managing Director of Tokio Marine, for dinner in Tokyo, Japan. The dinner meetings were organized so that the participants could become better acquainted with one another. The following day, on November 22, 2011, there were several meetings between Messrs. Rosenkranz, Sherman and Kiratsous and various representatives of Tokio Marine in Tokyo, Japan to discuss due diligence issues. There was no discussion of the terms of the potential transaction or of any post-closing compensation, retention and employment arrangements at either of the dinners on November 21, 2011 or at the due diligence meetings the following day.

On November 30, representatives of Sullivan & Cromwell sent representatives of Cravath an issues list outlining certain terms of the initial drafts of the merger agreement and the voting agreement that Tokio Marine would not accept or that Tokio Marine believed required further discussion. Later that day, a representative of Cravath asked a representative of Sullivan & Cromwell for full mark-ups of the draft merger agreement and voting agreement before it would respond on behalf of the Special Committee and the Company.

On December 1, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss, among other things, strategic alternatives available to the Company other than a sale of the Company, including a recapitalization of the Company or a separation of one of the Company s two principal businesses. Messrs. Brine, Coulter, Rosenkranz and Wright and representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. During this meeting, representatives of Lazard reviewed non-sale strategic alternatives with the directors.

On December 2, 2011, Messrs. Rosenkranz, Sherman, Kiratsous, Coulter, Ms. Savage and representatives of Lazard met with Mr. Brimecome, Mr. Fujii, Mr. Eiji Harada, Corporate Planning Officer Americas Office of Tokio Marine Management, Inc., and Mr. Yukiyoshi Tanakamaru, Manager, Financial Planning Department of Tokio Marine, and representatives of Macquarie to discuss due diligence issues. At this meeting, Messrs. Rosenkranz, Sherman and Kiratsous also discussed with representatives of Tokio Marine post-closing compensation, retention and employment arrangements for the Company s senior management.

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On December 5, 2011, representatives of Sullivan & Cromwell sent representatives of Cravath full mark-ups of the draft merger agreement and draft voting agreement that reflected Tokio Marine s and Sullivan & Cromwell s proposed changes.

On December 6, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss Tokio Marine s mark-ups of the draft merger agreement and draft voting agreement. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. A representative of Cravath discussed with the directors the issues raised by Tokio Marine s proposed changes, including that Tokio Marine had proposed, among other things, that (1) the Company be prohibited from paying regular quarterly cash dividends between the signing and closing of the potential transaction, (2) Mr. Rosenkranz be prohibited from speaking with third-party bidders in his capacity as a stockholder even if the Special Committee were permitted to do so under the terms of the merger agreement and the Special Committee wished for Mr. Rosenkranz to speak to such third party bidders, (3) the termination fee and expense reimbursement equal a total of approximately 3.55% of the equity value of the proposed transaction and (4) the Company be required to pay a termination fee and expenses of Tokio Marine in circumstances not involving either a change in control of the Company or a change in recommendation by the Company s Board or a committee thereof.

On December 8, 2011, there was a teleconference between representatives of Cravath and Sullivan & Cromwell to discuss Tokio Marine s mark-ups of the draft merger agreement and draft voting agreement. During this teleconference, Sullivan & Cromwell, subject to clearance by Tokio Marine (which clearance was later obtained), agreed to the Special Committee s position (1) regarding Mr. Rosenkranz s ability to engage with third-party bidders in his capacity as a stockholder if the Special Committee were permitted to do so under the terms of the merger agreement and the Special Committee wished for Mr. Rosenkranz to speak to such third party bidders and (2) with respect to the termination fee not being payable if there was not a change in control of the Company or a change in recommendation by the Company s Board or a committee thereof. The issues regarding payment of regular quarterly dividends through closing and the size of the termination fee remained outstanding, as did a number of other issues.

On December 9, 2011, representatives of Cravath, on behalf of the Special Committee, sent representatives of Sullivan & Cromwell revised drafts of the merger agreement and the voting agreement.

During conversations in November and December between senior management of the Company and Tokio Marine relating to post-closing compensation, retention and employment arrangements for the Company s senior management, Mr. Rosenkranz and Tokio Marine had also discussed the need to continue, and the treatment of, two existing investment consulting agreements between the Company and one of its subsidiaries and Rosenkranz Asset Managers LLC, which we refer to as RAM (for a description of RAM, which is an entity beneficially owned by Mr. Rosenkranz, please see the section titled The Merger Interests of Our Directors and Executive Officers in the Merger Interests of Mr. Robert Rosenkranz Investment Consulting Agreements). These discussions included the possibility of modifying these arrangements, which are currently terminable by either party upon 30 days notice, to make them non-terminable for a period of time. As part of these discussions, Mr. Rosenkranz raised the possibility of making these investment consulting agreements non-terminable by either party for five years.

During the course of these discussions, Tokio Marine developed Japanese accounting and regulatory concerns in relation to extending the investment consulting agreements with RAM because RAM relies completely on access to other entities controlled by Mr. Rosenkranz and to Mr. Rosenkranz himself to provide services under the investment consulting agreements. In an effort to address these concerns, on December 12, 2011, a representative of Tokio Marine tentatively raised the possibility of the Company purchasing RAM from an affiliate of Mr. Rosenkranz immediately prior to the closing of a transaction. After a series of discussions, Tokio Marine suggested a purchase price for RAM of not more than $57 million, which amount reflected a net present value calculation of expected payments under the contracts to RAM over a five-year term, instead of extending the terms of these agreements. Tokio Marine and Mr. Rosenkranz did not reach any agreement

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regarding such arrangements or discuss any other terms of such a purchase or what or whether ongoing consulting arrangements would be put in place following such purchase, including how RAM would provide investment consulting services once it was wholly owned by the Company.

During the remainder of December 12, 2011 and on December 13, 2011, there were discussions among senior management of the Company and representatives of Cravath, Lazard and Cleary regarding the possibility of the Company acquiring RAM immediately prior to closing for $57 million.

On December 13, 2011, a representative of Tokio Marine informed Mr. Rosenkranz, and a representative of Sullivan & Cromwell informed a representative of Cravath, that Tokio Marine was no longer interested in pursuing the possibility of a purchase of RAM by the Company and was evaluating alternatives. Over the next two days, Mr. Rosenkranz and representatives of Tokio Marine had further conversations regarding how to address the RAM investment consulting agreements post-closing.

In the afternoon of December 13, 2011, the Special Committee held a telephonic meeting, which was attended by all members of the Special Committee, to receive an update on the status of the merger agreement and the status of the Company s senior management s discussions with Tokio Marine relating to post-closing compensation, retention and employment arrangements, which Mr. Rosenkranz described as ongoing. This meeting was immediately followed by a telephonic meeting of the Special Committee Sub-Committee, which was attended by all members of the Special Committee Sub-Committee, at which the Special Committee Sub-Committee members were informed about the RAM purchase discussions.

On December 14, 2011, a representative of Tokio Marine raised with Mr. Rosenkranz, and a representative of Sullivan & Cromwell raised with a representative of Cravath, an alternative arrangement under which the existing RAM investment consulting agreements would remain in place on their existing terms, except that immediately prior to closing RAM s rights and obligations to provide investment consulting services to the Company would be assigned from RAM to Acorn Advisory Capital, L.P., which we refer to as Acorn , another entity controlled by Mr. Rosenkranz. Acorn is an SEC registered investment advisor that manages a series of private investment funds which have been marketed to third-party investors for approximately 30 years. Mr. Rosenkranz and his affiliated entities also invest in Acorn s investment funds. The representative of Tokio Marine and the representative of Sullivan & Cromwell each explained that this alternative arrangement would allow the Company to continue to receive the benefits of the current RAM consulting services while at the same time addressing Tokio Marine s concerns. Under this alternative arrangement, no additional consideration would be paid in connection with the assignment and the investment consulting agreements would remain terminable by either party upon 30 days notice. In the afternoon of December 14, 2011, all of the members of the Special Committee Sub-Committee met telephonically to receive an update on the status of discussions relating to the RAM investment consulting agreements and expressed their support for the alternative arrangement to assign the RAM investment consulting agreements on their existing terms. Representatives of Cravath, Lazard and Morris Nichols participated in this meeting.

On December 15, 2011, Mr. Rosenkranz agreed to the alternative arrangement to assign the obligations under the RAM investment consulting agreements on their existing terms to Acorn immediately prior to closing without payment of additional consideration or any agreement in place relating to an extension or replacement of these agreements.

On December 15, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to update the entire Special Committee on the RAM investment consulting agreements and the proposal to assign those agreements to Acorn. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. During this meeting, the members of the Special Committee also considered whether to ask Tokio Marine to increase the merger consideration for all shares of the Company s common stock. The Special Committee determined during this meeting to ask Tokio Marine for a $0.625 per share price increase (applicable to both shares of Class A common stock and Class B common stock), and

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directed Cravath to make this request to Tokio Marine through Sullivan & Cromwell. Shortly after this meeting, a representative of Cravath called a representative of Sullivan & Cromwell and communicated the Special Committee s proposal.

Later that evening on December 15, 2011, a representative of Sullivan & Cromwell sent a representative of Cravath an email that stated that Tokio Marine was not willing to change the price previously discussed. The email also stated that any further reopening of the price would imperil and substantially delay further progress on the potential transaction.

On December 16, 2011, a representative of Sullivan & Cromwell reiterated to a representative of Cravath by phone that Tokio Marine was not going to increase its offer and that the Tokio Marine offer that had been accepted by the Special Committee in late October was Tokio Marine s best and final offer.

Later on December 16, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to discuss Tokio Marine s response to the Special Committee s proposal. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. After considering the current terms of the potential transaction, the very low likelihood of being able to secure a price increase and the risks of attempting to do so, the members of the Special Committee determined that they would not pursue a price increase.

On December 17, 2011, there were several teleconferences between representatives of Cravath and Sullivan & Cromwell to discuss the draft merger agreement, draft voting agreement and the other draft transaction documents. As a result of these negotiations, the parties agreed, among other things, that (1) the termination fee would be equal to $82 million (equating to about 3% of the equity value of the transaction) and there would be no separate reimbursement for transaction-related expenses and (2) the Company would be permitted to declare regular quarterly cash dividends between the signing and closing of the potential transaction.

Over the course of the next several days, Cravath and Sullivan & Cromwell continued to finalize the terms of the merger agreement, the voting agreement and the other transaction documents.

On December 19, 2011, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to update the members of the Special Committee on the negotiations regarding the terms of the merger agreement, the voting agreement and the other transaction documents. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting.

Later on December 19, 2011, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee, to review and discuss the higher consideration that would be paid to the Class B stockholders relative to the Class A stockholders in the potential transaction. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. During this meeting, representatives of Lazard reviewed with the directors its financial presentation regarding the differential consideration that would be paid in the potential transaction, which included a review of, and a comparison against, precedent acquisitions of companies with dual-class structures. A description of certain information that Lazard reviewed with the members of the Special Committee Sub-Committee during its financial presentation regarding differential consideration is contained in the section titled Special Committee Sub-Committee Presentation on Differential Consideration . A representative of Cravath also discussed the obligations of the members of the Special Committee Sub-Committee under applicable law.

On the morning of December 20, 2011, a telephonic meeting of the Board was held to discuss various matters in connection with the potential transaction. Mr. Kiratsous and Mr. Coulter and representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. Representatives of Lazard reviewed with the Board Lazard s financial presentation regarding the Company and the consideration that would be paid to the Company s Class A stockholders in the potential merger. Representatives of Cravath reviewed a presentation

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regarding the proposed terms of the merger agreement and the other transaction documents and discussed with the directors the likely payments that the Company s executive officers would receive if the potential transaction was consummated. Messrs. Rosenkranz, Sherman, Ilg, Kiratsous and Coulter then left the meeting to permit the independent directors of the Board to continue discussing the terms of the potential transaction. A representative of Cravath then discussed with the independent directors the proposed terms of the merger agreement and voting agreement that related specifically to Mr. Rosenkranz. A representative of Lazard reviewed with the independent directors a financial presentation regarding the differential consideration that would be paid in the potential transaction. A representative of Cravath then discussed with the independent directors their fiduciary duties under applicable law. There was then a discussion regarding the post-closing compensation, retention and employment arrangements that had been proposed by Mr. Rosenkranz, Mr. Sherman and Mr. Kiratsous to Tokio Marine. Thereafter, a representative of Lazard provided Lazard s oral opinion, subsequently confirmed in writing, to the Special Committee to the effect that, as of December 20, 2011, and based upon and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations set forth therein (as described in more detail in the section titled Opinion of Lazard), the sum of the Class A Merger Consideration and the special dividend to be paid to holders of Class A common stock (other than (1) Tokio Marine, the Company or any other direct or indirect wholly owned subsidiary of Tokio Marine or the Company, except to the extent that they hold Class A common stock on behalf of third parties, (2) holders who are entitled to demand and have properly exercised and perfected their appraisal rights under Section 262 of the DGCL and (3) any holder of Class B common stock who also owns Class A common stock) in connection with the merger was fair, from a financial point of view, to such holders. The representative of Lazard also indicated that, in addition to the members of the Special Committee, the other independent directors of the Board (Mr. Brine and Mr. Wright) were entitled to rely on the opinion. The meeting of the Board then adjourned and Mr. Brine and Mr. Wright left the meeting.

Immediately thereafter, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee, to continue discussing the terms of the potential transaction. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. The members of the Special Committee then reviewed the draft resolutions of the Special Committee and the Special Committee Sub-Committee. After a discussion, the meeting of the Special Committee was adjourned and Mr. Hirsh and Mr. Litvack left the meeting.

Immediately thereafter, a telephonic meeting of the Special Committee Sub-Committee was held, which was attended by all members of the Special Committee Sub-Committee, in order to continue discussing the terms of the potential transaction, as well as the draft resolutions of the Special Committee Sub-Committee. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. Following a discussion, the Special Committee Sub-Committee unanimously adopted various resolutions which included, among other things, (1) the Special Committee Sub-Committee s determination that it is advisable and in the best interests of the Company s Class A stockholders and the Company that the Company enter into the merger agreement and that the merger and the terms thereof, together with all other transactions contemplated by the merger agreement, including the certificate amendment, are fair and in the best interests of the Company s Class A stockholders and the Company, (2) the Special Committee Sub-Committee s determination that the consideration to be received in the merger is fair to the Class A stockholders (taking into account the higher consideration to be paid to the Class B stockholders), (3) the Special Committee Sub-Committee s determination that the premium to be paid to the Class B stockholders is fair to the Class A stockholders and (4) the Special Committee Sub-Committee s recommendation that the Board approve and declare advisable the merger agreement, the voting agreement and the certificate amendment and recommend that the stockholders adopt the merger agreement and the certificate amendment. Please see the section titled Recommendation of the Special Committee and Board of Directors; Reasons for the Merger for further details. The meeting of the Special Committee Sub-Committee was then adjourned and Mr. Hirsh and Mr. Litvack rejoined the meeting.

Immediately thereafter, a telephonic meeting of the Special Committee was held, which was attended by all members of the Special Committee. Representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. Following a discussion, and after taking into account the recommendations of the Special

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Committee Sub-Committee, the Special Committee unanimously adopted various resolutions which included, among other things, (1) the Special Committee s determination that it is advisable and in the best interests of the Company s Class A stockholders and the Company that the Company enter into the merger agreement and that the merger and the terms thereof, together with all other transactions contemplated by the merger agreement, including the certificate amendment, are fair and in the best interests of the Company s Class A stockholders and the Company, (2) the Special Committee s determination that the consideration to be received in the merger is fair to the Class A stockholders (taking into account the differential consideration to be paid to the Class B stockholders), (3) the Special Committee s determination that the premium to be paid to the Class B stockholders is fair to the Class A stockholders, (4) the Special Committee s determination that the terms and conditions of the merger agreement and the voting agreement and the transactions contemplated by these agreements are not preclusive or coercive and are within the range of reasonableness and (5) the Special Committee s recommendation that the Board approve and declare advisable the merger agreement, the voting agreement and the certificate amendment and recommend that the stockholders adopt the merger agreement and the certificate amendment. Please see the section titled Recommendation of the Special Committee and Board of Directors; Reasons for the Merger for further details. The meeting of the Special Committee was then adjourned.

Later on December 20, 2011, the Board again convened for a telephonic meeting to discuss the draft resolutions of the Board and to vote on the potential transaction with Tokio Marine and the other related transactions. Mr. Kiratsous and Mr. Coulter and representatives of Cravath, Lazard and Morris Nichols also participated in the meeting. After a discussion of various matters in connection with the potential transaction, Messrs. Rosenkranz, Sherman and Ilg recused themselves from the meeting. Mr. Kiratsous and Mr. Coulter then left the meeting. After considering (1) the proposed terms of the merger agreement and the other transaction documents, (2) the various presentations of Cravath and Lazard, (3) the Special Committee Sub-Committee s recommendations, (4) the Special Committee s recommendations and (5) Lazard s fairness opinion provided to the Special Committee that the Special Committee and the other independent directors of the Board (Mr. Brine and Mr. Wright) were entitled to rely upon, and taking into account the other factors described below in the section titled Recommendation of the Special Committee and Board of Directors; Reasons for the Merger , the Board, with the affirmative vote of all directors voting (but excluding the three directors who had recused themselves), approved and declared advisable the merger agreement, the voting agreement, the certificate amendment and the other transactions contemplated by the merger agreement and recommended that the Company s stockholders adopt the merger agreement and the certificate amendment.

In the early hours of December 21, 2011, the Company, Tokio Marine and Tokio Marine s special purpose subsidiary, TM Investment (Delaware) Inc., executed the merger agreement and the other transaction documents, and the Company and Tokio Marine issued a joint press release announcing the execution of such documents.

Special Committee Sub-Committee Presentation on Differential Consideration

For informational purposes only, Lazard reviewed with the Special Committee Sub-Committee and the Special Committee certain considerations described below related to the dual-class capital structure of Delphi and the higher consideration to be received by the holders of Class B common stock in the merger. However, Lazard expressed no view or opinion as to (1) the fairness to the holders of the Class A common stock of the sum of the Class A Merger Consideration and the special dividend, relative to the sum of the Class B Merger Consideration and the special dividend to be paid to the holders of Class B common stock, (2) the fairness to the holders of Class B common stock of the sum of the Class B Merger Consideration and the special dividend or (3) the fairness to the holders of the Company s common stock of the allocation of the sum of (a) the Class A Merger Consideration and the special dividend and (b) the Class B Merger Consideration and the special dividend, between the holders of Class A common stock and the holders of Class B common stock. Lazard, as a policy matter, does not render relative fairness opinions and advised the Special Committee of this policy prior to its engagement.

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Lazard identified and reviewed a group of 61 selected acquisitions of U.S. companies with dual-class structures since January 1, 1995, and with transaction value in excess of $250 million. Of the 61 acquisitions, the following 7 transactions provided for differential consideration with the payment of an incremental premium to the holders of high-vote shares:

Announcement Date	Acquiror	Target	High Vote Consideration Premium to Low Vote Consideration[a][b]	Aggregate Premium as a Percentage of Transaction Value[a][c]	Premium to Unaffected Price Paid to Low Vote Shares[a][d]
September 2009	Xerox Corporation	Affiliated Computer Services, Inc.	72%	4.7%	34%
October 2004	Constellation Brands, Inc.	Robert Mondavi Corporation	16%	5.5%	42%
February 2000	Clear Channel Communications, Inc.	SFX Entertainment, Inc.	67%	2.4%	19%
March 1999	Adelphia Communications Corporation	Century Communications Corp.	9%	4.9%	25%
June 1998	AT&T Corp.	Tele-Communications, Inc.	10%	1.0%	31%
August 1997	Capstar Broadcasting Partners, Inc. / Hicks, Muse, Tate & Furst, Inc.	SFX Broadcasting, Inc.	30%	2.3%	10%
August 1996	Silver King Communications, Inc.	Home Shopping Network, Inc.	20%	4.3%	12%

(a) Percentage figures are based on consideration paid in respect of shares and do not include payments that may be made in respect of employment or other arrangements. Information is based on the announced deal price information (with the exception of the Constellation Brands, Inc. / Robert Mondavi Corporation transaction, which reflects announced deal price information at the time of the revised offer on October 19, 2004).

(b) Calculated as the premium of the consideration per share to be paid to the high-vote class relative to the consideration per share to be paid to the low-vote class.

(c) Expressed as a percentage of the fully diluted equity transaction value assuming that all classes of stock receive a consideration per share equal to the consideration per share paid to the low-vote class.

(d) Calculated as the premium of the consideration per share to be paid to the low-vote class relative to the unaffected market trading price of the low-vote class.

Lazard reviewed the per share premium of the high-vote shares relative to the low-vote shares, calculated as the premium of the consideration per share to be paid to the high-vote class relative to the consideration per share to be paid to the low-vote class as described upon announcement of such precedent transactions. In the seven transactions in which differential consideration was paid, these per share premiums ranged from 9% to 72% with a mean of 32% and a median of 20%. Lazard noted that the per-share incremental premium payable to the Class B stockholders relative to the consideration payable to the Class A stockholders was 20%.

Lazard also reviewed the aggregate premium of the high-vote shares relative to the low-vote shares, expressed as a percentage of the fully diluted equity transaction value assuming that all classes of stock receive a consideration per share equal to the consideration per share paid to the low-vote class. In the seven transactions in which differential consideration was paid, these aggregate premiums ranged as a percentage of the fully diluted transaction value (as described above) from 1.0% to 5.5% with a mean of 3.6% and a median of 4.3%. Lazard noted that the aggregate incremental premium payable in respect of Class B common stock relative to the

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consideration payable in respect of Class A common stock was approximately $73 million and, as a percentage of the fully diluted transaction value (as described above), was 2.7%. Lazard further noted that the holders of Class B common stock were to receive an aggregate premium of approximately $64 million relative to the $46.00 per share blended price.

Lazard further reviewed the per share premium payable to the low-vote shares relative to the unaffected share price of the low-vote class, calculated as the premium of the consideration per share to be paid to the low-vote class relative to the unaffected market trading price of the low-vote class prior to the announcement of the transaction. In the seven transactions in which differential consideration was to be paid, these per share premiums relative to the unaffected share price of the low-vote class ranged from 10% to 42% with a mean of 25% and a median of 25%. Lazard noted that the premium payable to the Class A stockholders relative to the unaffected market trading price of the Company s Class A common stock was 76%.

Recommendation of the Special Committee and Board of Directors; Reasons for the Merger

After Mr. Rosenkranz informed the Board that he did not find the $45.00 per share offer from Tokio Marine (which was later increased by Tokio Marine agreeing that the Company could pay a $1.00 special dividend) compelling from a personal standpoint and was unlikely to vote in favor of a merger transaction with Tokio Marine at a price of $45.00 per share, the Company s independent directors determined that it was advisable and in the best interests of the Company s Class A stockholders and the Company to form the Special Committee. The Board delegated full power and authority to the Special Committee (subject to applicable law) to take any action that the Board itself could take in connection with a possible transaction with Tokio Marine. In connection with the formation of the Special Committee, the Board resolved that it would not approve or recommend to the Company s stockholders a potential transaction with Tokio Marine or any alternative transaction without the prior favorable recommendation of the Special Committee.

The members of the Special Committee determined that it was advisable and in the best interests of the Company s Class A stockholders and the Company to form the Special Committee Sub-Committee to act on the Special Committee s behalf in connection with any and all matters (including but not limited to the taking of any and all actions) in any way related to the participation or involvement by Mr. Rosenkranz or other Class B stockholders in, or any benefit to Mr. Rosenkranz or other Class B stockholders that is not shared on an equivalent basis with the Class A stockholders from, the potential transaction with Tokio Marine or any alternative transaction or in any way related to the Class B stockholders being treated in any way different from the Class A stockholders in the potential transaction with Tokio Marine or any alternative transaction. In connection with the formation of the Special Committee Sub-Committee, the Special Committee resolved that it would not approve or recommend a potential transaction with Tokio Marine or any alternative transaction without the prior favorable recommendation of the Special Committee Sub-Committee.

Special Committee Sub-Committee

The Special Committee Sub-Committee, at a meeting held on December 20, 2011, unanimously determined, among other things, that (1) it is advisable and in the best interests of the Company s Class A stockholders and the Company that the Company enter into the merger agreement and that the merger and the terms thereof, together with all other transactions contemplated by the merger agreement, including the certificate amendment, are fair and in the best interests of the Company s Class A stockholders and the Company, (2) the consideration to be received in the merger is fair to the Class A stockholders (taking into account the higher consideration to be paid to the Class B stockholders) and (3) the premium to be paid to the Class B stockholders in the merger is fair to the Class A stockholders. The Special Committee Sub-Committee also unanimously determined that it was advisable and in the best interests of the Company s Class A stockholders and the Company that the Company (x) enter into the voting agreement and each of the assignment agreements and (y) take such actions as are necessary to effect the certificate amendment. In addition, the Special Committee Sub-Committee made various other determinations.

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The Special Committee Sub-Committee unanimously recommended, among other things, that (1) the Special Committee recommend to the Board that the Board adopt a resolution approving, and declaring the advisability of, the merger agreement, the merger and the other transactions contemplated by the merger agreement, including the certificate amendment, and recommend that the Company s stockholders adopt the merger agreement and the unaffiliated stockholders approve the merger agreement, (2) the Board adopt a resolution approving, and declaring the advisability of, the merger agreement and the merger and the other transactions contemplated by the merger agreement, including the certificate amendment, and recommend that the Company s stockholders adopt the merger agreement and the unaffiliated stockholders approve the merger agreement, (3) the Special Committee recommend to the Board that the Board adopt a resolution declaring the advisability of the certificate amendment and recommend that the Company s stockholders adopt the certificate amendment and (4) the Board adopt a resolution declaring the advisability of the certificate amendment and recommend that the Company s stockholders adopt the certificate amendment.

In reaching its determinations, the Special Committee Sub-Committee consulted with and received the advice of its independent financial and legal advisors and considered a number of factors that it believed supported its determinations, including, but not limited to, the following:

- the value to be received by the Class A stockholders in the merger, including the fact that the cash consideration to be received by the Class A stockholders (including the special dividend) represented a significant premium relative to the trading price of the Company s Class A common stock. The premium payable to the Class A stockholders was 76% relative to the closing price of the Company s Class A common stock on December 20, 2011 (the last trading day before the announcement of the merger agreement) and 63% relative to the trailing twelve-month average trading price of the Company s Class A common stock as of December 20, 2011;

- the value to be received by the Class A stockholders in the merger (including the special dividend) was 1.48x the Company s reported book value per share and 1.56x the Company s adjusted book value per share (adjusted book value excludes accumulated other comprehensive income);

- the strategic alternatives available to the Company other than a sale of the Company (including continuing to pursue the Company s strategy as a standalone enterprise) were less favorable to the Company s Class A stockholders than the merger given the potential risks, rewards, likely value creation and uncertainties associated with these alternatives;

- the possibility that, if the Company did not enter into the merger agreement, (1) there would not be another opportunity for the Class A stockholders to receive as high a price as a result of a sale of the Company, in light of the belief of the Special Committee Sub-Committee, the Special Committee and the Board that there are likely to be few, if any, parties interested in purchasing a company that has both property and casualty insurance and life insurance subsidiaries and their belief that in any event it was unlikely that there would be other bidders that would be willing to offer more than Tokio Marine s current offer and (2) it could take a considerable period of time before the trading price of the Company s Class A common stock would reach and sustain the $44.875 price (including the $1.00 special dividend) for the shares of Class A common stock available in the merger, as adjusted for present value;

- Lazard s review of premiums paid to stockholders in precedent acquisitions of companies with dual-class structures (including such acquisitions that did not provide for differential consideration);

- that the approximately 2.7% aggregate incremental premium of the equity value of the transaction (equity value calculated assuming holders of Class A common stock and Class B common stock would be receiving $44.875 per share of common stock rather than the applicable merger consideration) payable in respect of Class B common stock relative to the consideration payable in respect of Class A common stock compared favorably to the mean (3.6%) and median (4.3%) of precedent transactions involving differential consideration, though the Special Committee Sub-Committee and the Special Committee understood that the vast majority of precedent acquisitions of companies with dual-class structures did not provide for differential consideration;

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that the approximately 20% per-share incremental premium payable to the Class B stockholders relative to the consideration payable to the Class A stockholders compared favorably to the mean (32%) and median (20%) of precedent transactions involving differential consideration, though the Special Committee Sub-Committee and the Special Committee understood that the vast majority of precedent acquisitions of companies with dual-class structures did not provide for differential consideration;

that the 76% premium payable to the Class A stockholders relative to the unaffected trading price of the Company s Class A common stock compared favorably to the mean (25%) and median (25%) of precedent transactions involving differential consideration, though the Special Committee Sub-Committee and the Special Committee understood that the vast majority of precedent acquisitions of companies with dual-class structures did not provide for differential consideration;

the impact on the Class A stockholders of the incremental consideration paid to the Class B stockholders, including the economic dilution to Class A stockholders resulting from the incremental consideration paid to Class B stockholders, and that in the view of the Special Committee Sub-Committee and the Special Committee, the benefits to Class A stockholders of the proposed transaction with Tokio Marine outweighed the impact of such dilution on the Class A stockholders;

the fact that the premium payable to the Class B stockholders relative to the price the Class A stockholders will receive was the result of extensive and vigorous arm s length negotiations between the Special Committee Sub-Committee and Mr. Rosenkranz and the view of the Special Committee Sub-Committee and the Special Committee that the Special Committee Sub-Committee had obtained for the Class A stockholders the best transaction it could have achieved with Mr. Rosenkranz and Tokio Marine without putting the entire transaction in significant jeopardy, which they believed would have been contrary to the best interests of the Class A stockholders;

the financial analyses of Lazard and the opinion of Lazard rendered to the Special Committee that the sum of the merger consideration and the special dividend to be paid to the Class A stockholders (other than (1) Tokio Marine, the Company or any other direct or indirect wholly owned subsidiary of Tokio Marine or the Company, except to the extent that they hold Class A common stock on behalf of third parties, (2) holders who are entitled to demand and have properly exercised and perfected their appraisal rights under Section 262 of the DGCL and (3) any holder of Class B common stock who also owns Class A common stock) in connection with the merger is fair, from a financial point of view, to such stockholders, as more fully described in the section titled Opinion of Lazard ;

the fact that the merger agreement would need to be approved by holders of a majority of the outstanding shares of Class A common stock (other than shares of Class A common stock owned, directly or indirectly, by holders of Class B common stock, any holder of shares of Class A common stock that were transferred to such holder by any holder of Class B common stock after December 21, 2011, Tokio Marine, Merger Sub or any officers or directors of Delphi, or any of their respective affiliates or associates (as defined in Section 12b-2 of the Exchange Act)), voting as a single class;

the fact that a vote of the Company s stockholders on the merger is required under Delaware law, and that stockholders who do not vote in favor of the adoption of the merger agreement will have the right to demand appraisal of the fair value of their shares under Delaware law;

the fact that the amount Tokio Marine will pay to the Company s stockholders was the result of negotiations and price increases by Tokio Marine from its original proposed valuation of $33.00-$35.00 per share;

the fact that the consideration to be received by the Company s Class A stockholders in the merger (including the special dividend) will consist entirely of cash, which will provide liquidity and certainty of value to the Company s Class A stockholders;

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the fact that the terms and conditions of the merger agreement, including, but not limited to, the representations, warranties and covenants of the parties, the conditions to closing and the form and structure of the merger consideration, are reasonable;

the fact that the terms of the merger agreement provide that, under certain circumstances, the Company is permitted to entertain competing transaction proposals, withdraw its approval or recommendation with respect to the merger agreement or terminate the merger agreement, subject, in each case, to compliance with certain procedural requirements, which may include the payment of the $82,000,000 termination fee;

the fact that the $82,000,000 termination fee is equal to approximately 3.0% of the equity value of the Company (based on the equity value of the transaction calculated assuming holders of Class A common stock would receive $44.875 per share of common stock and holders of Class B common stock would receive $53.875 per share of common stock) and the belief of the Special Committee Sub-Committee, the Special Committee and the Board that the $82,000,000 termination fee would not preclude any other party from making a competing proposal for the Company;

the fact that the terms of the voting agreement permit Mr. Rosenkranz to speak with a third-party bidder in cooperation with the Company (acting at the direction of the Special Committee) if the Company is permitted to do so under the terms of the merger agreement and that the voting agreement terminates upon the termination of the merger agreement;

the fact that in determining whether an alternative proposal is a Superior Proposal (as defined in the merger agreement), the Special Committee is not required to take into account the likelihood of Mr. Rosenkranz supporting the alternative proposal;

the fact that the terms of the merger agreement permit the Company to continue to pay regular quarterly cash dividends (not in excess of $0.12 per share) consistent with past practice;

the absence of any financing condition or contingency to the merger;

the fact that Tokio Marine is a strong, well capitalized company with ample resources to consummate the transaction;

the high likelihood that Tokio Marine would proceed to complete the proposed merger without significant delay, given its financial resources and high credit ratings and the absence of any material regulatory barriers to the merger;

Tokio Marine s commitments in the merger agreement to use its reasonable best efforts to consummate the proposed merger (subject to the terms and conditions of the merger agreement); and

the ability of the parties to consummate the merger.

The Special Committee Sub-Committee has also considered a variety of risks and other potentially negative factors concerning the merger. These factors include, but are not limited to, the following:

the fact that the holders of Class B common stock (and stock options and RSUs) would receive an aggregate premium of approximately $64 million relative to the $46.00 per share blended price;

that the aggregate incremental premium payable in respect of Class B common stock relative to the consideration payable in respect of Class A common stock would amount to approximately 2.7% of the equity value of the transaction (equity value calculated assuming holders of Class A common stock and Class B common stock would be receiving $44.875 per share of common stock rather than the applicable merger consideration);

the fact that the holders of Class B common stock would receive a per-share incremental premium of approximately 20% (or $9.00 per share) relative to the consideration payable to holders of Class A common stock;

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the fact that the overwhelming number of precedent acquisitions of companies with dual-class structures did not provide for differential consideration;

the fact that the Company s certificate of incorporation currently prohibits differential consideration;

the fact that some of the Company s directors and executive officers have interests in the merger that are different from, or in addition to, those of the Company s Class A stockholders, as described more fully in the section titled Interests of Our Directors and Executive Officers in the Merger beginning on page 90;

the fact that, following the merger, the Company s public stockholders will have no ongoing equity in the surviving corporation, meaning that the public stockholders will cease to participate in any future earnings growth of the Company or benefit from any future increase in its value;

the possible effect of the public announcement, pendency or consummation of the transactions contemplated by the merger agreement, including any suit, action or proceeding in respect of the merger agreement or the transactions contemplated by the merger agreement;

the absence of a pre-signing market check by the Company as to the availability of alternative proposals even though the Special Committee Sub-Committee and the Special Committee determined that forgoing a pre-signing market check was in the best interests of the Class A stockholders because (1) Tokio Marine was offering a significant premium to the Class A stockholders, (2) it seemed unlikely that there would be other bidders that would be willing to offer more than Tokio Marine s current offer and (3) initial contacts with alternative potential acquirors and substantive discussions with one or more alternative potential acquirors might not remain confidential and a leak might disrupt the Company s discussions with Tokio Marine, jeopardize any potential transaction with Tokio Marine or adversely impact the Company s ongoing operations;

the possibility that the following factors, either individually or in combination, could discourage potential acquirors from making a competing bid to acquire the Company: (1) the restrictions on the Company s ability to solicit or engage in discussions or negotiations with any third parties regarding other proposals, (2) the requirement that, in certain circumstances and subject to the terms and conditions of the merger agreement, the Company is required to pay Tokio Marine an $82,000,000 termination fee and (3) Mr. Rosenkranz s substantial ownership of the Company s voting power and his entry into the voting agreement;

the possibility that not all closing conditions to the merger, including stockholder approvals and regulatory approvals, may be satisfied or waived such that the merger may not be consummated;

the amount of time it could take to complete the merger, including the risk that the Company and Tokio Marine might not receive the necessary regulatory approvals or clearances to complete the merger or that governmental authorities could attempt to condition their approvals or clearances of the merger on one or more parties compliance with certain conditions, which may be burdensome;

the fact that, for United States federal income tax purposes, the cash merger consideration will be taxable to U.S. holders of the Company s Class A common stock entitled to receive such consideration and the special dividend will be a taxable dividend to the extent of the Company s current and accumulated earnings and profits;

the fact that restrictions on the conduct of the Company s business prior to completion of the merger could delay or prevent the Company from undertaking business opportunities that may arise pending completion of the merger; and

the risks and costs to the Company if the merger does not close, including the incurrence of substantial costs, the payment of a termination fee of $82,000,000 (in certain circumstances), the diversion of management and employee attention, potential employee attrition and the potential adverse effect on the Company s relations with various parties, including customers, employees and agents.

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In addition to considering the factors described above, the Special Committee Sub-Committee also identified and considered a variety of factors relevant to the merger, including, but not limited to, the following:

- the fact that Mr. Rosenkranz had not reached an agreement with Tokio Marine on post-closing compensation, retention and employment arrangements, but that he and Mr. Sherman and Mr. Kiratsous have had discussions with Tokio Marine regarding post-closing compensation, retention and employment arrangements for the Company s senior management, including with respect to a term sheet provided by Messrs. Rosenkranz, Sherman and Kiratsous to Tokio Marine;

- the fact that Mr. Rosenkranz and his affiliates may continue to receive fees from the Company and its subsidiaries after the completion of the merger under certain investment consulting agreements and other agreements if these agreements are not terminated or amended;

- other strategic alternatives that may be available to the Company, including continuing to operate as an independent company, the possibility of growing its business through acquisitions and internal growth and whether there were other potential parties that might have an interest in and be financially capable of engaging in an alternative strategic transaction with the Company, and the valuation, regulatory and financing issues that might arise in connection with pursuing an alternative strategic transaction;

- the financial projections of the Company; and

- the fact that the terms of the transaction and the merger agreement were determined through concurrent arm s length negotiations between the Special Committee, with the advice of its advisors, and Tokio Marine, and arm s length negotiations between the Special Committee Sub-Committee, with advice of its advisors, and Mr. Rosenkranz.

Special Committee

The Special Committee, at a meeting held on December 20, 2011, unanimously determined, among other things, that (1) it is advisable and in the best interests of the Company s Class A stockholders and the Company that the Company enter into the merger agreement and that the merger and the terms thereof, together with all other transactions contemplated by the merger agreement, including the certificate amendment, are fair and in the best interests of the Company s Class A stockholders and the Company, (2) the consideration to be received in the merger is fair to the Class A stockholders (taking into account the higher consideration to be paid to the Class B stockholders), (3) the premium to be paid to the Class B stockholders is fair to the Class A stockholders and (4) the terms and conditions of the merger agreement and the voting agreement and the transactions contemplated by these agreements are not preclusive or coercive and are within the range of reasonableness. The Special Committee also unanimously determined that it was advisable and in the best interests of the Company s Class A stockholders and the Company that the Company (x) enter into the voting agreement and (y) take such actions as are necessary to effect the certificate amendment.

The Special Committee unanimously recommended, among other things, that (1) the Board adopt a resolution approving, and declaring the advisability of, the merger agreement and the merger and the other transactions contemplated by the merger agreement, including the certificate amendment, and recommend that the Company s stockholders adopt the merger agreement and the unaffiliated stockholders approve the merger agreement and (2) the Board adopt a resolution declaring the advisability of the certificate amendment and recommend that the Company s stockholders adopt the certificate amendment.

The Special Committee (after having received the unanimous recommendation of the Special Committee Sub-Committee) unanimously recommends that the Company s stockholders vote (1) FOR the merger proposal and (2) FOR the certificate amendment proposal.

In reaching its determinations and making its recommendations, the Special Committee consulted with and received the advice of its independent financial and legal advisors and considered a number of factors that it

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believed supported its determinations, including, but not limited to, (1) the factors considered by the Special Committee Sub-Committee that are listed in the section titled Special Committee Sub-Committee and (2) the following:

- the Special Committee Sub-Committee s unanimous determinations, including its determination that the consideration to be received in the merger is fair to the Class A stockholders (taking into account the higher consideration to be paid to the Class B stockholders) and that the premium to be paid to the Class B stockholders is fair to the Class A stockholders; and

- the Special Committee Sub-Committee s unanimous recommendations, including its unanimous recommendation to the Special Committee that the Special Committee recommend to the Board that the Board adopt resolutions (1) approving, and declaring the advisability of, the merger agreement, the merger and the other transactions contemplated by the merger agreement and recommending that the Company s stockholders adopt the merger agreement and the unaffiliated stockholders approve the merger agreement, (2) approving, and declaring the advisability of, the voting agreement and the other transactions contemplated by the voting agreement and (3) declaring the advisability of the certificate amendment.

The Special Committee has also considered a variety of risks and other potentially negative factors concerning the merger, including, but not limited to, the factors considered by the Special Committee Sub-Committee that are listed in the section titled Special Committee Sub-Committee .

In addition to considering the factors described above, the Special Committee also identified and considered a variety of factors relevant to the merger, including, but not limited to, the factors considered by the Special Committee Sub-Committee that are listed in the section titled Special Committee Sub-Committee .

Board of Directors

The Board, with the affirmative vote of all directors voting (but excluding Messrs. Rosenkranz, Sherman and Ilg who had recused themselves prior to the time the vote was taken), at a meeting held on December 20, 2011, determined, among other things, that (1) it is advisable and in the best interests of the Company and its stockholders that the Company enter into the merger agreement and that the merger and the terms thereof, together with all other transactions contemplated by the merger agreement, including the certificate amendment, are in the best interests of the Company and its stockholders, (2) the merger agreement be submitted to the Company s stockholders for their adoption, (3) the terms and conditions of the merger agreement and the voting agreement and the transactions contemplated by these agreements are not preclusive or coercive and are within the range of reasonableness and (4) it is advisable and in the best interests of the Company and its stockholders that the Company take such actions as are necessary to effect the certificate amendment and that the certificate amendment be submitted to the Company s stockholders for their adoption. The Board also determined that it was advisable and in the best interests of the Company and its stockholders that the Company enter into the voting agreement and each of the assignment agreements.

The Special Committee (after having received the unanimous recommendation of the Special Transaction Sub-Committee) unanimously recommends that you vote FOR the merger proposal and FOR the certificate amendment proposal. The Board (after having received the unanimous recommendation of the Special Committee) also recommends that you vote FOR the merger proposal and FOR the certificate amendment proposal. In addition, the Board recommends that you vote FOR the compensation proposal and FOR the adjournment proposal.

As described in the section titled Background of the Merger , prior to and in reaching its decision at its meeting on December 20, 2011 to approve the merger agreement and the transactions contemplated thereby, including the merger and the certificate amendment, the Board consulted with the Special Committee Sub-Committee, the Special Committee, the Company s management, the Special Committee s financial

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advisors and the Company s legal advisors and considered a variety of factors that it believed supported its determinations, including, but not limited to, (1) the factors considered by the Special Committee Sub-Committee that are listed in the section titled Special Committee Sub-Committee , (2) the factors considered by the Special Committee that are listed in the section titled Special Committee and (3) the following:

- the Special Committee Sub-Committee s and the Special Committee s determinations relating to the merger; and
- the unanimous recommendations of the Special Committee Sub-Committee and the Special Committee, including the recommendations that the Board (1) adopt a resolution approving, and declaring the advisability of, the merger agreement, the merger and the other transactions contemplated by the merger agreement and recommend that the Company s stockholders adopt the merger agreement and the unaffiliated stockholders approve the merger agreement, (2) adopt a resolution declaring the advisability of the certificate amendment and recommend that the Company s stockholders adopt the certificate amendment and (3) adopt a resolution approving, and declaring the advisability of, the voting agreement.

The Board also considered a variety of risks and other potentially negative factors concerning the merger and a variety of factors relevant to the merger, including, but not limited to, (1) the factors considered by the Special Committee Sub-Committee that are listed in the section titled Special Committee Sub-Committee and (2) the factors considered by the Special Committee that are listed in the section titled Special Committee .

The foregoing discussion of the factors considered by the Special Committee Sub-Committee, the Special Committee and the Board is not intended to be exhaustive, but rather includes the principal factors considered by the Special Committee Sub-Committee, the Special Committee and the Board, as applicable. After considering these factors, the Special Committee Sub-Committee, the Special Committee and the Board concluded that the positive factors relating to the merger agreement and the merger outweighed the potential negative factors. In view of the wide variety of factors considered by the Special Committee Sub-Committee, the Special Committee and the Board and the complexity of these matters, the Special Committee Sub-Committee, the Special Committee and the Board did not find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of the Special Committee Sub-Committee, the Special Committee and the Board may have assigned different weights to various factors. The Special Committee Sub-Committee, the Special Committee and the Board made their determinations and recommendations based upon the totality of the information presented to and considered by them. It should be noted that this explanation of the reasoning of the Special Committee Sub-Committee, the Special Committee and the Board and certain information presented in this section is forward-looking in nature and should be read in light of the factors discussed in the section titled Cautionary Statement Regarding Forward-Looking Statements beginning on page 27.

Certain Financial Projections

The Company does not as a matter of course publicly disclose detailed financial forecasts or projections, and the Company generally does not disclose forecasts for extended periods due to the unpredictability of the underlying assumptions and estimates. However, as part of Tokio Marine s due diligence review in connection with the merger and its evaluation of a possible transaction involving the Company, the Company provided to Tokio Marine and Macquarie the following: (1) the Company s 2010 management plan, dated November 3, 2010 (we refer to certain forecasts in the 2010 management plan as the 2010 forecasts), (2) the five-year projections of the Company s management, dated October 13, 2011, which were prepared, at the request of Tokio Marine, solely for use in connection with the merger (we refer to certain forecasts in the projections of the Company s management, dated October 13, 2011, as the 2011 5-year forecasts) and (3) the Company s 2011 management plan, dated November 2, 2011 (we refer to certain forecasts in the 2011 management plan as the 2011 3-year

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forecasts). We refer to the 2010 forecasts, the 2011 5-year forecasts and the 2011 3-year forecasts collectively as the financial forecasts . The financial forecasts are non-public, internal financial forecasts that the management of the Company prepared regarding the Company s future operations. The financial forecasts were also provided to Lazard and Lazard used the 2011 3-year forecasts (and the forecasts for 2015 and 2016 in the 2011 5-year forecasts for its dividend discount analysis) in its financial analyses relating to the potential transaction and other potential strategic alternatives. The Special Committee Sub-Committee, the Special Committee and the board of directors also considered the financial forecasts for the purpose of evaluating the merger and other potential strategic alternatives.

The financial forecasts were not prepared with a view toward public disclosure or compliance with published guidelines of the SEC or the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or with GAAP. The financial forecasts include certain non-GAAP financial measures. The footnotes to the tables below provide certain supplemental information with respect to the calculation of these non-GAAP financial measures. Certain of this supplemental information may not have been included in the forecasts. For further discussion regarding the use of non-GAAP financial measures, please see the Company s Annual Report on Form 10-K, which has been filed with the SEC. In addition, the financial forecasts are unaudited and neither the Company s independent registered public accounting firm, nor any other independent auditor, has compiled, examined or performed any procedures with respect to the financial forecasts, nor have they expressed any opinion or given any form of assurance on the financial forecasts or their achievability.

The forecasts cover multiple years and such information by its nature becomes less reliable with each successive year. In addition, the forecasts will be affected by the Company s ability to achieve strategic goals, objectives and targets over the applicable periods. The assumptions upon which the forecasts are based necessarily involve judgments as of the time of their preparation with respect to, among other things, future economic, competitive and regulatory conditions and financial market conditions, all of which are difficult or impossible to predict accurately and many of which are beyond the Company s control. The forecasts also reflect assumptions as of the time of their preparation as to certain business decisions that are subject to change. Such forecasts cannot, therefore, be considered a guaranty of future operating results, and this information should not be relied on as such.

Information from the forecasts is included in this proxy statement solely to give stockholders access to information that was provided by the Company to Tokio Marine and Macquarie and is not included in this proxy statement in order to influence your decision about whether to vote for the merger proposal or the other proposals to be considered and voted upon at the special meeting.

Furthermore, the financial forecasts:

- were based upon numerous variables and assumptions (including, without limitation, those related to industry performance and competition and general business, economic, market and financial conditions) that are inherently uncertain, may be beyond the control of the Company and may not prove to be accurate;

- do not necessarily reflect current estimates or assumptions that the management of the Company may have about prospects for the Company s businesses (including, without limitation, the Company s ability to achieve strategic goals, objectives and targets over applicable periods), changes in general business or economic conditions, industry performance, the regulatory environment and other factors described in the section titled Cautionary Statement Regarding Forward-Looking Statements beginning on page 27; and

- reflect assumptions as to certain business decisions that are subject to change.

As a result, actual results may differ materially from those contained in the financial forecasts. Accordingly, there can be no assurance that the financial forecasts will be realized.

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The inclusion of the financial forecasts in this proxy statement should not be regarded as an indication that the Company or its affiliates, advisors, representatives or any other recipient of this information considered, or now considers, the financial forecasts to be predictive of actual future results, and the financial forecasts should not be relied upon as such. None of the Company, its respective affiliates, advisors, officers, directors, partners or representatives can give you any assurance that actual results will not differ from the financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile the financial forecasts to reflect circumstances existing after the date the financial forecasts were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the financial forecasts are shown to be in error. The Company does not intend to make publicly available any update or other revision to the financial forecasts. Further, the inclusion of the financial forecasts in this proxy statement does not constitute an admission or representation by the Company that this information is material. None of the Company, its affiliates, advisors, officers, directors, partners or representatives has made or makes any representation to any stockholder or other person regarding the Company s ultimate performance compared to the information contained in the financial forecasts or that forecasted results will be achieved. The Company has made no representation to Tokio Marine, in the merger agreement or otherwise, concerning the financial forecasts. The 2010 forecasts and 2011 3-year forecasts were, in general, prepared solely for use by the Company s senior management and board of directors in connection with the Company s annual strategic and long-term planning process and are subjective in many respects and thus subject to interpretation.

The financial forecasts are forward-looking statements. For additional information on factors which may cause the Company s future financial results to materially vary from the forecasts, please see the section titled Cautionary Statement Regarding Forward-Looking Statements beginning on page 27.

Although the Company is disclosing the 2010 forecasts and the 2011 5-year forecasts, the 2010 forecasts and the first three years of the 2011 5-year forecasts are superseded by the 2011 3-year forecasts. The following is a summary of the 2010 forecasts, the 2011 5-year forecasts and the 2011 3-year forecasts prepared by management of the Company and given to Tokio Marine, Macquarie and Lazard:

	2010 3-Year Forecasts (dated November 3, 2010) (dollars in thousands, except per share data)		
	2011	**2012**	**2013**
Premium and Fee Income	$ 1,499,607	$ 1,594,771	$ 1,739,524
Net Investment Income	$ 343,807	$ 364,295	$ 372,889
Income before realized gains (losses) and income taxes	$ 276,028	$ 303,973	$ 324,664
Net Income before realized gains (losses)	$ 207,873	$ 227,118	$ 244,340
Diluted Net Income per Share before realized gains (losses)	$ 3.70	$ 4.01	$ 4.27
Total Assets	$ 8,373,980	$ 8,966,270	$ 9,563,648
Total Shareholders Equity(1)	$ 1,807,177	$ 2,007,552	$ 2,225,042
Adjusted Shareholders Equity(2)	$ 1,667,575	$ 1,867,950	$ 2,085,440
Accumulated other comprehensive income	$ 138,180	$ 138,180	$ 138,180
Return on beginning equity (net income before realized gains (losses) over prior year equity)(3)	12.3%	12.6%	12.2%

(1) Includes noncontrolling interest of $1,422, $1,422 and $1,422 in 2011, 2012 and 2013, respectively.
(2) Excludes noncontrolling interest and accumulated other comprehensive income.
(3) Equity excludes noncontrolling interest. No realized investment losses, net of tax in 2011, 2012 and 2013 were included in the 2010 management plan.

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	2011 5-Year Forecasts (dated October 13, 2011) (dollars in thousands, except per share data)					
	2011	2012	2013	2014	2015	2016
Premium and Fee income	$ 1,571,864	$ 1,680,281	$ 1,807,764	$ 1,941,142	$ 2,079,191	$ 2,226,633
Net Investment Income	$ 334,270	$ 389,812	$ 421,502	$ 447,090	$ 468,447	$ 485,696
Income before realized gains (losses) and income taxes	$ 257,654	$ 299,744	$ 346,608	$ 388,178	$ 424,670	$ 457,478
Net Income before realized gains (losses)	$ 198,615	$ 229,375	$ 262,872	$ 292,846	$ 318,444	$ 340,979

	2011 3-Year Forecasts (dated November 2, 2011) (dollars in thousands, except per share data)			
	2011	2012	2013	2014
Premium and Fee income	$ 1,581,989	$ 1,681,162	$ 1,809,182	$ 1,945,787
Net Investment Income	$ 338,176	$ 391,304	$ 420,077	$ 447,690
Income before realized gains (losses) and income taxes	$ 261,295	$ 297,841	$ 339,369	$ 380,445
Net Income before realized gains (losses)	$ 200,062	$ 227,604	$ 258,234	$ 288,598
Diluted Net Income per Share before realized gains (losses)	$ 3.54	$ 4.01	$ 4.45	$ 4.80
Total Assets	$ 8,763,232	$ 9,587,572	$ 10,390,599	$ 11,239,587
Total Shareholders Equity(1)	$ 1,774,223	$ 1,974,892	$ 2,205,530	$ 2,465,662
Adjusted Shareholders Equity(2)	$ 1,671,955	$ 1,863,224	$ 2,085,762	$ 2,338,394
Accumulated other comprehensive income	$ 94,939	$ 104,339	$ 112,439	$ 119,939
Return on beginning equity (net income before realized gains (losses) over prior year equity)(3)	12.5%	12.9%	13.1%	13.1%

(1) Includes noncontrolling interest of $7,329, $7,329, $7,329 and $7,329 in 2011, 2012, 2013 and 2014, respectively.
(2) Excludes noncontrolling interest and accumulated other comprehensive income.
(3) Equity excludes noncontrolling interest. Net income excludes realized investment losses, net of tax of ($6,612), ($9,400), ($8,100) and ($7,500) in 2011, 2012, 2013 and 2014, respectively.

Opinion of Lazard

On December 20, 2011, Lazard rendered its written opinion to the Special Committee that, as of such date, and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the sum of the Class A Merger Consideration and the special dividend, which, together for purposes of this section titled Opinion of Lazard only, we refer to as the aggregate Class A consideration , to be paid to holders of Class A common stock (other than (1) Tokio Marine, Delphi or any other direct or indirect wholly owned subsidiary of Tokio Marine or Delphi, except to the extent that they hold Delphi Class A common stock on behalf of third parties, (2) holders who are entitled to demand and have properly exercised and perfected their appraisal rights under Section 262 of the General Corporation Law of the State of Delaware, and (3) any holder of Class B common stock who also owns Class A common stock) in connection with the merger was fair, from a financial point of view, to such holders.

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The full text of Lazard s written opinion, dated December 20, 2011, which sets forth the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Lazard in connection with its opinion is attached to this proxy statement as Annex B and is incorporated into this proxy statement by reference. The description of Lazard s opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of Lazard s written opinion attached as Annex B. We encourage you to read Lazard s opinion and this section carefully and in their entirety.

Lazard s engagement and opinion were for the benefit of the Special Committee and the other independent directors of the Company s board of directors (each in their capacity as such), and Lazard s opinion was rendered to the Special Committee in connection with its evaluation of the merger and only addressed the fairness, from a financial point of view, to holders of Class A common stock (other than (1) Tokio Marine, Delphi or any other direct or indirect wholly owned subsidiary of Tokio Marine or Delphi, except to the extent that they hold Delphi Class A common stock on behalf of third parties, (2) holders who are entitled to demand and have properly exercised and perfected their appraisal rights under Section 262 of the DGCL, and (3) any holder of Class B common stock who also owns Class A common stock) of the aggregate Class A consideration to be paid to such holders in connection with the merger as of the date of Lazard s opinion. The Special Committee did not request Lazard to consider, and Lazard s opinion did not address, the relative merits of the merger as compared to any other transaction or business strategy in which Delphi might engage or the merits of the underlying decision by Delphi to engage in the merger. In connection with Lazard s engagement, it was not authorized to, and it did not, solicit indications of interest from third parties regarding a potential transaction with Delphi. Lazard s opinion was not intended to and does not constitute a recommendation to any holder of the Company s common stock as to how such holder should vote or act with respect to the merger or any matter relating thereto. Lazard s opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Lazard as of, the date of Lazard s opinion. Lazard assumed no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of Lazard s opinion. Lazard s opinion did not express any opinion as to the prices at which shares of the Class A common stock may trade at any time subsequent to the announcement of the merger. Lazard noted that, pursuant to the merger agreement, at the effective time of the merger, each share of Class B common stock issued and outstanding immediately prior to the merger (other than such shares owned by Tokio Marine, Delphi or any other direct or indirect wholly owned subsidiary of Tokio Marine or Delphi, except to the extent that they hold Class B common stock on behalf of third parties, and other than such shares for which a holder who is entitled to demand and has properly exercised and perfected its appraisal rights under Section 262 of the DGCL) will be converted into the right to receive the Class B Merger Consideration and would receive the special dividend (for purposes of this section titled Opinion of Lazard only, we refer to the sum of the Class B Merger Consideration and the special dividend as the aggregate Class B consideration , and the sum of the aggregate Class A consideration and the aggregate Class B consideration as the aggregate merger consideration). Lazard expressed no view or opinion as to (1) the fairness to the holders of Class A common stock of the aggregate Class A consideration, relative to the aggregate Class B consideration to be paid to the holders of Class B common stock, (2) the fairness to the holders of the Class B common stock of the aggregate Class B consideration, or (3) the fairness to the holders of the Company s common stock of the allocation of the aggregate merger consideration between the holders of the Class A common stock and the holders of the Class B common stock. Lazard, as a policy matter, does not render relative fairness opinions and advised the Special Committee of this policy prior to its engagement.

The following is a summary of Lazard s opinion. We encourage you to read Lazard s written opinion carefully in its entirety.

In connection with its opinion, Lazard:

- Reviewed the financial terms and conditions of a draft merger agreement, dated December 20, 2011, and a draft voting and support agreement, dated December 20, 2011;

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Reviewed certain publicly available historical business and financial information relating to Delphi;

Reviewed various financial forecasts and other data provided to Lazard by Delphi relating to the business of Delphi (for more information, please see the section titled The Merger Certain Financial Projections beginning on page 69);

Held discussions with members of the senior management of Delphi with respect to the business and prospects of Delphi;

Reviewed public information with respect to certain other companies in lines of business that Lazard believed to be generally relevant in evaluating the business of Delphi;

Reviewed the financial terms of certain business combinations involving companies in lines of business that Lazard believed to be generally relevant in evaluating the business of Delphi;

Reviewed historical stock prices and trading volumes of the Class A common stock; and

Conducted such other financial studies, analyses and investigations as Lazard deemed appropriate.

Lazard assumed and relied upon the accuracy and completeness of the foregoing information, without independent verification of such information. Lazard did not conduct any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of Delphi or concerning the solvency or fair value of Delphi, and Lazard was not furnished with any such valuation or appraisal. With respect to all of the financial forecasts utilized in its analyses, Lazard assumed, with the consent of the Special Committee, that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments as to the future financial performance of Delphi. Lazard assumed no responsibility for and expressed no view as to any such forecasts or the assumptions on which they are based.

In rendering its opinion, Lazard assumed, with the consent of the Special Committee, that the merger will be consummated on the terms described in the December 20, 2011 draft merger agreement, without any waiver or modification of any material terms or conditions. Representatives of the Special Committee advised Lazard, and Lazard assumed that the merger agreement and voting and support agreement, when executed, would conform to the drafts reviewed by Lazard in all material respects. Lazard also assumed, with the consent of the Special Committee, that obtaining the necessary governmental, regulatory or third-party approvals and consents for the merger will not have an adverse effect on Delphi or the merger. Lazard did not express any opinion as to any tax or other consequences that might result from the merger, nor did its opinion address any legal, tax, regulatory or accounting matters, as to which Lazard understood that the Special Committee obtained such advice as it deemed necessary from qualified professionals. Lazard expressed no view or opinion as to any terms or other aspects (other than the aggregate Class A consideration to the extent expressly specified therein) of the merger, including, without limitation, the form or structure of the merger and any agreements or arrangements entered into in connection with, or contemplated by, the merger, including, without limitation, the voting and support agreement. Lazard also expressed no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to or other arrangements with any officers, directors or employees of any parties to the merger or any of their respective affiliates, or class of such persons, relative to the aggregate Class A consideration or otherwise.

The following is a brief summary of the material financial analyses and reviews that Lazard deemed appropriate in connection with rendering its opinion. The brief summary of Lazard s analyses and reviews provided below is not a complete description of the analyses and reviews underlying Lazard s opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of analysis and review and the application of those methods to particular circumstances, and, therefore, is not readily susceptible to summary description. Considering selected portions of the analyses and reviews or the summary set forth below, without considering the analyses and reviews as a whole, could create an incomplete or misleading view of the analyses and reviews underlying Lazard s opinion.

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In arriving at its opinion, Lazard considered the results of all of its analyses and reviews and did not attribute any particular weight to any factor, analysis or review considered by it; rather, Lazard made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses and reviews.

For purposes of its analyses and reviews, Lazard considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Delphi. No company, business or transaction used in Lazard s analyses and reviews as a comparison is identical to Delphi or the merger, and an evaluation of the results of those analyses and reviews is not entirely mathematical. Rather, the analyses and reviews involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses or transactions used in Lazard s analyses and reviews.

The summary of the analyses and reviews provided below includes information presented in tabular format. In order to fully understand Lazard s analyses and reviews, the tables must be read together with the full text of each summary. The tables alone do not constitute a complete description of Lazard s analyses and reviews. Considering the data in the tables below without considering the full description of the analyses and reviews, including the methodologies and assumptions underlying the analyses and reviews, could create a misleading or incomplete view of Lazard s analyses and reviews.

Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before December 16, 2011, and is not necessarily indicative of current market conditions.

Valuation Analyses

Comparable Public Company Analysis

Lazard reviewed and analyzed certain financial information, valuation multiples and market trading data relating to selected publicly traded insurance companies whose operations Lazard believed, based on its experience with companies in the insurance industry, to be relevant for purposes of this analysis. Lazard then compared such information to the corresponding information for Delphi. The selected group of companies used in this analysis was as follows:

Selected life and health insurers:

Unum Group

Torchmark Corporation

Assurant, Inc.

StanCorp Financial Group, Inc.

Selected specialty property & casualty insurers:

W.R. Berkley Corporation

American Financial Group, Inc.

Although none of the selected companies is directly comparable to Delphi, the companies included are publicly traded companies with operations and/or other criteria, such as lines of business, markets, business risks and size and scale of business, that Lazard considered relevant for purposes of this analysis.

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Lazard calculated and compared various financial multiples and ratios of Delphi and of the above referenced companies, including, among other things, (1) the ratio of each company s December 16, 2011 closing share price to its calendar year 2011 and 2012 estimated earnings per share, which we refer to as EPS , and (2) the ratio of each company s December 16, 2011 closing share price to its reported book value per share (as of September 30, 2011) and its book value per share adjusted to exclude accumulated other comprehensive income (as of September 30, 2011), which we refer to as adjusted book value per share. The calendar year 2011 and 2012 estimated EPS for each of the referenced companies used by Lazard in its analysis were based on I/B/E/S, which represents publicly available consensus estimates. The following table summarizes the range, mean and median of the results of this review for the above referenced companies:

	Share Price to 2011E EPS	Share Price to 2012E EPS	Share Price to Reported Book Value per Share	Share Price to Adjusted Book Value per Share
Low	7.0x	6.5x	0.67x	0.74x
Mean	10.4x	8.9x	0.89x	1.00x
Median	9.8x	8.5x	0.78x	0.89x
High	15.7x	13.0x	1.19x	1.35x
Delphi	7.2x	6.6x	0.83x	0.88x

Lazard also conducted a regression analysis to measure the relationship between estimated calendar year 2012 return on adjusted equity and the ratio of price to adjusted book value per share for selected publicly traded insurance companies that Lazard believed, based on its experience with companies in the insurance industry, to be relevant for purposes of this analysis, considering such companies operations, lines of business, markets, size and geographies. Based on this analysis, Lazard noted that the 2012 return on adjusted equity estimated by Delphi management implied a ratio of price to adjusted book value per share for Delphi of 1.07x.

Based on an analysis of the multiples summarized above, the regression analysis summarized above, and Lazard s professional judgment, Lazard selected a reference range of:

7.0x to 10.0x for share price to 2011 estimated EPS;

6.5x to 9.0x for share price to 2012 estimated EPS;

0.80x to 1.05x for share price to reported book value per share; and

0.85x to 1.15x for share price to adjusted book value per share.

Lazard applied each such range to the estimated 2011 and 2012 EPS of Delphi (based on the 2011 management plan) and reported book value per share and adjusted book value per share of Delphi (as reported by the Company as of September 30, 2011).

From this analysis, Lazard estimated an implied price per reference share range for shares of Class A common stock as follows:

Multiple	Implied Price Per Share Reference Range
Share Price to 2011E EPS	$ 24.76 - $35.36
Share Price to 2012E EPS	$ 26.06 - $36.09
Share Price to Reported Book Value per Share	$ 24.25 - $31.82
Share Price to Adjusted Book Value per Share	$ 24.37 - $32.98

Based on the foregoing results and Lazard s professional judgment, Lazard estimated an implied price per share reference range for the Class A common stock of $26.00 to $33.00, as compared to the aggregate Class A consideration of $44.875 per share.

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Sum-of-the-Parts Analysis

Lazard analyzed the respective standalone valuation of Delphi s operating subsidiaries, Safety National and Reliance Standard (including Matrix), by reviewing various financial multiples and ratios of selected publicly traded insurance companies that Lazard believed, based on its experience with companies in the insurance industry, to be relevant for purposes of this analysis, considering such companies operations, lines of business, markets, size and geographies. Lazard then compared such information to the corresponding information for Delphi s respective operating subsidiaries.

With respect to Safety National, Lazard calculated and compared various multiples and financial ratios for Delphi and for selected specialty property & casualty insurers (listed above in the section titled Comparable Public Company Analysis) and a broader set of selected property & casualty insurers that Lazard believed, based on its experience with companies in the insurance industry, to be relevant for purposes of this analysis, considering such companies operations, lines of business, markets, size and geographies.

The following table summarizes the range, mean and median of the results of this review for such selected specialty property & casualty insurers and such broader set of selected property & casualty insurers:

	Share Price to 2011E EPS	Share Price to 2012E EPS	Share Price to Reported Book Value per Share	Share Price to Adjusted Book Value per Share
Selected Specialty Property & Casualty Insurers:				
Low	10.4x	10.0x	0.79x	0.90x
Mean	13.0x	11.5x	0.99x	1.10x
Median	13.0x	11.5x	0.99x	1.10x
High	15.7x	13.0x	1.19x	1.30x
Broader Set of Selected Property & Casualty Insurers:				
Low	8.2x	6.7x	0.60x	0.65x
Mean	18.8x	12.3x	0.98x	1.07x
Median	15.6x	10.0x	0.88x	0.94x
High	52.6x	32.9x	1.99x	2.21x
Delphi	7.2x	6.6x	0.83x	0.88x

Based on this analysis and Lazard s professional judgment, Lazard selected a reference range of:

10.5x to 13.0x for share price to 2011 estimated EPS;

10.0x to 11.5x for share price to 2012 estimated EPS;

0.85x to 1.10x for share price to reported book value per share; and

0.95x to 1.20x for share price to adjusted book value per share.

Lazard applied each such range to the estimated 2011 and 2012 EPS of the Safety National operating subsidiary (as estimated by Delphi management based on the 2011 management plan) and reported book value per share and adjusted book value per share of the Safety National operating subsidiary (as estimated by Delphi management as of September 30, 2011). Lazard then estimated an implied price per share reference range for the Safety National operating subsidiary as follows:

Multiple

	Implied Price Per Reference Share Range
Share Price to 2011E EPS	$ 22.76 - $28.18
Share Price to 2012E EPS	$ 24.26 - $27.90
Share Price to Reported Book Value per Share	$ 17.16 - $22.20
Share Price to Adjusted Book Value per Share	$ 18.10 - $22.86

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Based on the foregoing results, Lazard estimated an implied price per share reference range for the Safety National operating subsidiary of $21.00 to $25.00.

With respect to Reliance Standard (including Matrix), Lazard calculated and compared various multiples and financial ratios for Delphi and for selected life insurers (listed above in the section titled Comparable Public Company Analysis) and a broader set of selected life and health insurers that Lazard believed, based on its experience with companies in the insurance industry, to be relevant for purposes of this analysis, considering such companies operations, lines of business, markets, size and geographies.

The following table summarizes the range, mean and median of the results of this review for such selected life insurers and such broader set of selected life and health insurers:

	Share Price to 2011E EPS	Share Price to 2012E EPS	Share Price to Reported Book Value per Share	Share Price to Adjusted Book Value per Share
Selected Life and Health Insurers:				
Low	7.0x	6.5x	0.67x	0.74x
Mean	9.1x	7.7x	0.84x	0.95x
Median	9.1x	7.6x	0.76x	0.86x
High	11.1x	9.0x	1.15x	1.35x
Broader Set of Selected Life and Health Insurers:				
Low	4.4x	4.6x	0.21x	0.28x
Mean	8.2x	6.6x	0.65x	0.76x
Median	8.4x	6.6x	0.67x	0.74x
High	12.8x	9.0x	1.21x	1.35x
Delphi	7.2x	6.6x	0.83x	0.88x

Based on this analysis and Lazard s professional judgment, Lazard selected a reference range of:

7.0x to 9.5x for share price to 2011 estimated EPS;

6.5x to 8.0x for share price to 2012 estimated EPS;

0.70x to 0.90x for share price to reported book value per share; and

0.80x to 1.00x for share price to adjusted book value per share.

Lazard applied each such range to the estimated 2011 and 2012 EPS of the Reliance Standard (including Matrix) operating subsidiary (as estimated by Delphi management based on the 2011 management plan) and reported book value per share and adjusted book value per share of the Reliance Standard (including Matrix) operating subsidiary (as estimated by Delphi management as of September 30, 2011). Lazard then estimated an implied price per share reference range for the Reliance Standard (including Matrix) operating subsidiary as follows:

Multiple	Implied Price Per Reference Share Range
Share Price to 2011E EPS	$ 14.47 - $19.64
Share Price to 2012E EPS	$ 14.60 - $17.97
Share Price to Reported Book Value per Share	$ 12.88 - $16.56

Share Price to Adjusted Book Value per Share	$ 14.19 - $17.74

Based on the foregoing results, Lazard estimated an implied price per share reference range for the Reliance Standard (including Matrix) operating subsidiary of $14.50 to $17.50.

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