

CHARTER OF THE STOCK OPTION AND COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF DELPHI FINANCIAL GROUP, INC.

The Board of Directors of Delphi Financial Group, Inc. (the “Company”) has established a committee known as the Stock Option and Compensation Committee (the “Committee”). This Charter confirms and describes the purpose, composition and responsibilities and processes of the Committee.

Purpose

The Committee is appointed by the Board of Directors of the Company (the “Board”) to discharge the Board’s responsibilities relating to compensation of the Company’s executives, administer the stock option and other stock plans of the Company, and produce an annual report on executive compensation for inclusion in the Company’s proxy statement in accordance with applicable rules and regulations.

Composition

The Committee shall be composed of at least three directors, each of whom meets the independence requirements of the New York Stock Exchange and qualifies as a “non-employee director” (within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended) and an “outside director” (within the meaning of Section 162(m) of the Internal Revenue Code of 1986 and the regulations thereunder, as amended).

Responsibilities and Processes

The Committee will:

- Review and approve corporate goals and objectives relevant to the Chief Executive Officer’s compensation; evaluate the Chief Executive Officer’s performance in light of these goals and objectives; and set (subject to full Board review) the Chief Executive Officer’s compensation level based on this evaluation.
- Review and approve (or, if deemed appropriate, recommend to the Board for approval) the compensation (including compensation pursuant to incentive compensation plans and equity-based plans) of key executives of the Company, including the Company’s executive officers, within the meaning of Rule 3b-7 under the Securities Exchange Act of 1934, as amended, who report directly to the Chief Executive Officer, with all such approvals by the Committee to be presented to the full Board for its review.

- For performance-based compensation arrangements for the executive officers of the Company, establish in advance performance criteria and goals for compensation to be earned for the performance period, and certify the results achieved for such period following its conclusion, so as to satisfy the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended.
- Review and, if deemed appropriate, make recommendations regarding incentive compensation plans for the junior executives of the Company.
- From time to time, review and make recommendations to the Board regarding the compensation of the Company's non-employee directors.
- Exercise such power and authority as may be permitted or required under the Company's employee stock option, share award, and other stock plans now or from time to time in effect, including but not limited to the granting of awards of stock or stock options pursuant to such plans.
- Review and, if deemed appropriate, make recommendations regarding new benefit plans, and material changes to existing benefit plans, in which the Company's executive officers are or would be eligible to participate, and material prerequisites for such executive officers.
- Review and make recommendations regarding employment agreements, severance agreements and change-of-control agreements for the Company's executive officers, which for purposes of this Charter are deemed to relate to compensation.
- Have sole authority to retain and terminate any compensation consultant selected by the Committee to assist in evaluating executive compensation and to approve such consultant's fees and other retention terms.
- Have the authority to obtain advice and assistance from internal or external legal, accounting or other advisers as it deems necessary or appropriate in connection with the carrying out of its responsibilities.
- If deemed appropriate, form, and delegate authority to, subcommittees.
- Make reports to the Board from time to time as appropriate.
- Produce a report of the Committee to be included in each proxy statement of the Company.
- Review and reassess the adequacy of this Charter from time to time as appropriate, but no less frequently than annually, and recommend any proposed changes to the Board for approval.
- Conduct an annual evaluation of the performance by the Committee of the responsibilities set forth in this Charter.