

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 20, 2004

Donegal Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

0-15341

23-2424711

(State or other jurisdiction
of incorporation)

(Commission file number)

(IRS employer
identification no.)

1195 River Road, Marietta, Pennsylvania 17547

(Address of principal executive offices(Zip code))

Registrant's telephone number, including area code: (888) 877-0600

N/A

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

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

The following exhibit is filed herewith:

Exhibit No. Description

99.1 Press release issued by Donegal Group Inc. (the "Company")
dated February 20, 2004

Item 12. Results of Operations and Financial Condition.

On February 20, 2004, the Company issued a press release regarding the Company's financial results for its fourth quarter ended December 31, 2003. The press release is attached as Exhibit 99.1 to this Form 8-K Current Report. The information in this report shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference in any filing under the Securities Act of 1933.

SIGNATURES

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

DONEGAL GROUP INC.

Date: February 24, 2004

By: /s/ Ralph G. Spontak

Ralph G. Spontak, Senior Vice
President, Chief Financial Officer
and Secretary

EXHIBIT INDEX

Exhibit
Number

Description

99.1 Press release dated February 20, 2004 issued by the Company.

DONEGAL GROUP INC. ANNOUNCES RECORD EARNINGS IN 2003

Ralph G. Spontak
 Senior Vice President and Chief Financial Officer
 Phone (717) 426-1931
 Fax (717) 426-7009

For Immediate Release

Marietta, Pennsylvania, February 20, 2004 - Donegal Group Inc. (Nasdaq: DGICA and DGICB) today reported its results of operations for the quarter and year ended December 31, 2003.

The Company completed the year with another strong quarter, posting net income for the fourth quarter of 2003 of \$5,179,206, or \$.47 per share on a diluted basis, compared to \$3,627,496, or \$.39 per share on a diluted basis, for the fourth quarter of 2002.

For the full year ended December 31, 2003 the Company posted record net income of \$18,293,976, or \$1.85 per share on a diluted basis and a return on average equity of 12.2%, compared to \$12,002,722, or \$1.31 per share on a diluted basis and a return on average equity of 9.4%, in 2002.

"We are pleased with our quarterly and year 2003 results that reflect the emphasis that the Company has placed on premium adequacy, underwriting discipline and expense control over the last several years together with a profitable growth strategy" stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group.

The Company continued its strong underwriting results through the end of the year, achieving a combined ratio for the fourth quarter of 93.8%, compared to 97.9% for the fourth quarter of 2002. The Company's loss ratio showed marked improvement from a year earlier at 63.1% for the fourth quarter of 2003, compared to 70.4% for the fourth quarter of 2002.

The strong financial results resulted in an increase in the Company's book value per common share to \$16.29 as of December 31, 2003, compared to \$14.52 as of December 31, 2002.

Revenues for the fourth quarter of 2003 were \$55,694,338, an increase of 7.2% over a year earlier, with net premiums earned for the fourth quarter of \$50,710,542, a 6.8% increase over the fourth quarter of 2002. The lower interest rate environment continued to impact investment income, which decreased 5.9% to \$3,309,105 for the fourth quarter of 2003, compared to \$3,517,404 for the fourth quarter of 2002, despite an increase in average invested assets.

Revenues for the full year 2003 were \$214,992,328, an increase of 5.5% over a year earlier, with net premiums earned for the year of \$196,792,696, a 5.9% increase over 2002. The Company's combined ratio for the year ended December 31, 2003 was 95.0%, compared to 99.6% for the year ended December 31, 2002, with both personal and commercial lines showing improvement over the prior year.

The Company will hold a conference call and webcast on Friday February 20, beginning at 11:00 A. M. Eastern Standard Time. You may participate in the conference call by calling 1-800-901-5241 (International 617-786-2963) Passcode I. D. 26608347. An instant replay of the conference call will be available for 10 days by calling 1-888-286-8010 (Passcode I. D. 25593999).

Donegal Group Inc. is a property and casualty insurance holding company whose insurance subsidiaries offer personal and commercial lines of insurance to businesses and individuals in six Mid-Atlantic states (Connecticut, Delaware, Maryland, New York, Ohio and Pennsylvania), eight Southeastern states (Alabama, Arkansas, Georgia, Louisiana, North Carolina, South Carolina, Tennessee and Virginia) and four Midwestern states (Iowa, Nebraska, Oklahoma and South Dakota).

All statements contained in this release that are not historic facts are based on current expectations. Such statements are forward-looking (as defined in the Private Securities Litigation Reform Act of 1995) in nature and involve a number of risks and uncertainties. Actual results could vary materially. Among the factors that could cause actual results to vary materially include: the ability of the Company to maintain profitable operations, the adequacy of the

Company's reserves for losses and loss adjustment expenses, business and economic conditions in the Company's primary operating areas, competition from various insurance and non-insurance businesses, terrorism, legal and judicial developments, changes in regulatory requirements and other risks that are described from time to time in the periodic reports the Company files with the Securities and Exchange Commission. Undue reliance should not be placed on any such forward-looking statements.

(Tables Follow)

Fourth Quarter Ended

	December 31, 2003	December 31, 2002
Net premiums earned	\$50,710,542	\$47,485,673
Investment income, net of investment expenses	3,309,105	3,517,404
Realized investment gains	873,268	158,121
Total revenues	55,694,338	51,947,295
Net income	\$ 5,179,206	\$ 3,627,496
Net income per common share		
Basic	\$ 0.49	\$ 0.40
Diluted	\$ 0.47	\$ 0.39

Year Ended

	December 31, 2003	December 31, 2002
Net premiums earned	\$196,792,696	\$185,841,193
Investment income, net of investment expenses	13,315,936	14,581,252
Realized investment gains	1,368,031	144,190
Total revenues	214,992,328	203,803,561
Net income	\$ 18,293,976	\$ 12,002,722
Income per common share		
Basic	\$ 1.91	\$ 1.32
Diluted	\$ 1.85	\$ 1.31

Consolidated Statements of Income
(unaudited; in thousands, except share data)

	Fourth Quarter Ended	
	December 31, 2003	December 31, 2002
	-----	-----
Net premiums earned	\$ 50,711	\$ 47,486
Investment income, net of investment expenses	3,309	3,517
Realized investment gains	873	158
Lease income	216	200
Service charge income	585	586
	-----	-----
Total revenues	55,694	51,947
	-----	-----
Losses and loss expenses	31,975	33,410
Amortization of deferred policy acquisition costs	7,978	7,378
Other underwriting expenses	7,155	5,519
Other expenses	360	189
Policyholder dividends	443	205
Interest	408	249
	-----	-----
Total expenses	48,319	46,950
	-----	-----
Income before income taxes	7,375	4,997
Income tax expense	2,196	1,370
	-----	-----
Net income	\$ 5,179	\$ 3,627
	=====	=====
Net income per common share		
Basic	\$ 0.49	\$ 0.40
	-----	-----
Diluted	\$ 0.47	\$ 0.39
	-----	-----
Supplementary Financial Analysts' Data		
Weighted average number of shares outstanding		
Basic	10,477,603	9,153,585
	-----	-----
Diluted	11,065,320	9,272,763
	-----	-----
Net written premiums	\$ 50,448	\$ 45,706
	-----	-----
Book value per common share	\$ 16.29	\$ 14.52
	-----	-----

	Year Ended	
	December 31, 2003 (unaudited)	December 31, 2002
Net premiums earned	\$ 196,793	\$ 185,841
Investment income, net of investment expenses	13,316	14,582
Realized investment gains	1,368	144
Lease income	845	790
Service charge income	2,464	2,447
Other income	206	--
	-----	-----
	214,992	203,804
	-----	-----
Total revenues		
Losses and loss expenses	126,243	129,268
Amortization of deferred policy acquisition costs	30,839	29,473
Other underwriting expenses	28,687	25,332
Other expenses	1,345	1,060
Policyholder dividends	1,155	1,057
Interest	1,287	1,119
	-----	-----
Total expenses	189,556	187,309
	-----	-----
Income before income taxes	25,436	16,495
Income tax expense	7,142	4,492
	-----	-----
Net income	\$ 18,294	\$ 12,003
	=====	=====
Net income per common share		
Basic	\$ 1.91	\$ 1.32
	-----	-----
Diluted	\$ 1.85	\$ 1.31
	-----	-----
Supplementary Financial Analysts' Data		
Net written premiums	\$ 206,981	\$ 194,504
	-----	-----
Weighted average number of shares outstanding		
Basic	9,570,872	9,085,914
	-----	-----
Diluted	9,894,844	9,193,113
	-----	-----

Consolidated Balance Sheet
(in thousands, except share data)

	December 31, 2003	December 31, 2002
	----- (unaudited)	-----
ASSETS		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 113,051	\$ 86,702
Available for sale, at fair value	198,433	194,732
Equity securities, at fair value	31,448	21,836
Short-term investments, at cost, which approximates fair value	78,344	29,029
	-----	-----
Total investments	421,276	332,299
Cash	5,909	1,125
Premiums in course of collection	29,017	26,287
Reinsurance receivable	81,009	83,207
Accrued investment income	3,752	3,815
Deferred policy acquisition costs	16,224	14,567
Prepaid reinsurance premiums	30,692	27,854
Property and equipment, net	4,152	4,430
Deferred income taxes	7,032	6,956
Other assets	2,973	678
	-----	-----
Total assets	\$ 602,036	\$ 501,218
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 217,914	\$ 210,692
Unearned premiums	134,028	121,002
Accounts payable and accrued expenses	7,770	6,584
Debt	25,774	19,800
Due to affiliates	905	4,080
Other liabilities	6,996	5,877
	-----	-----
Total liabilities	393,387	368,035
Stockholders' Equity		
Preferred stock \$1.00 par value; authorized 2,000,000 shares, none issued		
Class A common stock, \$.01 par value, authorized 30,000,000 shares, issued 9,880,506 and 6,269,093 shares and outstanding 9,798,982 and 6,187,569 shares	99	63
Class B common stock, \$.01 par value, authorized 10,000,000 shares, issued 3,051,811 and 3,024,742 shares and outstanding 3,011,049 and 2,983,980 shares	30	30
Additional paid-in capital	122,745	60,652
Accumulated other comprehensive income	5,291	4,912
Retained earnings	81,376	68,418
Treasury stock, at cost	(892)	(892)
	-----	-----
Total stockholders' equity	208,649	133,183
	-----	-----
Total liabilities and stockholders' equity	\$ 602,036	\$ 501,218
	=====	=====

