

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **July 24, 2009**

Donegal Group Inc.

(Exact name of registrant as specified in its charter)

DE
(State or other jurisdiction
of incorporation)

0-15341
(Commission File Number)

23-2424711
(IRS Employer Identification No.)

1195 RIVER RD MARIETTA, PA
(Address of principal executive offices)

17547
(Zip Code)

Registrant's telephone number, including area code: **717-426-1931**

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 24, 2009 the Registrant issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

Exhibit 99.1. Press release dated July 24, 2009

SIGNATURE

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

Donegal Group Inc.

(Registrant)

July 24, 2009

/s/ JEFFREY D. MILLER

(Date)

Jeffrey D. Miller
Senior Vice President and Chief Financial Officer

Exhibit Index

99.1 Press release dated July 24, 2009

Donegal Group Inc. Announces Second Quarter Earnings

MARIETTA, Penn., July 24, 2009 (GLOBE NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported that its net income for the quarter ended June 30, 2009 was \$4,387,624, or \$.18 per share of Class A common stock on a diluted basis, compared to \$6,318,177, or \$.25 per share of Class A common stock on a diluted basis, for the second quarter of 2008. Pre-tax weather-related losses impacted second quarter results by approximately \$8 million after reinsurance.

Revenues for the second quarter of 2009 were \$94,794,979, an increase of 0.9% over the second quarter of 2008, with net premiums earned of \$87,540,345, virtually unchanged from the year-earlier period. Net premiums written for the second quarter of 2009 were \$93,580,829, representing a 1.0% decrease from net premiums written of \$94,488,556 for the second quarter of 2008.

The Company's combined ratio was 101.8% for the second quarter of 2009, reflecting the impact of the previously mentioned weather-related losses, prior accident year reserve development of approximately \$3.2 million during the quarter and the impact of two large workers' compensation claims that totaled \$1.2 million after reinsurance. The Company's combined ratio was 97.6% for the second quarter of 2008, which was also impacted by severe weather events.

The Company's expense ratio decreased to 31.0% for the second quarter of 2009, compared to 32.8% for the second quarter of 2008, reflecting lower expenses incurred for underwriting-based incentive costs and the benefits of expense savings initiatives commenced in the fourth quarter of 2008.

Net investment income was \$5,266,161 for the second quarter of 2009, compared to \$5,793,985 reported for the second quarter of 2008. The impact of lower short-term interest rates during the second quarter of 2009 offset investment income attributable to an increase in average invested assets compared to the year earlier period. The Company had no other-than-temporary impairments in its investment portfolio in the second quarter of 2009.

Net income for the six months ended June 30, 2009 was \$4,557,428, or \$.18 per share of Class A common stock on a diluted basis, compared to \$12,877,260, or \$.52 per share of Class A common stock on a diluted basis, for the six months ended June 30, 2008. The Company's combined ratio for the first six months of 2008 was 103.9%, compared to a combined ratio of 97.7% for the comparable period in 2008. The Company's loss ratio was 72.7% for the first six months of 2009, compared to 65.1% for the first six months of 2008, with the increase primarily reflecting increased fire and weather-related claim activity in the first quarter of 2009 as well as increased prior accident year reserve development in the first six months of 2009 compared to the year-earlier period.

The Company's total stockholders' equity, or book value, increased to \$371,327,450, a per common share amount of \$14.58, at June 30, 2009, compared to \$363,583,865, a per common share amount of \$14.29, at December 31, 2008. The Company attributes this increase in book value primarily to net unrealized gains in the fair value of its available-for-sale fixed maturity investments during the first six months of 2009.

"We are disappointed to report a level of earnings that did not meet our expectations for the second quarter of 2009, but we recognize that our results are not immune from the effects of weather and challenging economic conditions. We continue to concentrate on returning to historical levels of profitability as well as maintaining balance sheet strength, as evidenced by our increasing book value," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

On July 16, 2009, the Company's board of directors approved a quarterly cash dividend payable August 17, 2009 of \$.1125 per share of Class A common stock and \$.10 per share of Class B common stock to stockholders of record as of the close of business on August 3, 2009.

The Company will hold a conference call and webcast on Friday, July 24, 2009, beginning at 11:00 A.M. Eastern Time. You may listen via the Internet by accessing the webcast link in the Investors area of the Company's web site at www.donegalgroup.com. A replay of the conference call will also be available via the Company's web site.

Donegal Group Inc. is an insurance holding company whose insurance subsidiaries offer personal and commercial property and casualty lines of insurance in five Mid-Atlantic states (Delaware, Maryland, New Hampshire, New York and Pennsylvania), seven Southeastern states (Alabama, Georgia, North Carolina, South Carolina, Tennessee, Virginia and West Virginia) and six Midwestern states (Iowa, Nebraska, Ohio, Oklahoma, South Dakota and Wisconsin).

All statements contained in this press release that are not historic facts are based on current expectations. Such statements are forward-looking in nature (as defined in the Private Securities Litigation Reform Act of 1995) and necessarily involve risks and uncertainties. Actual results could vary materially. The factors that could cause actual results to vary materially include, but are not limited to, 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 areas in which the Company operates, conditions resulting from the ongoing recession in the United States, severe weather events, competition from various insurance and non-insurance businesses, terrorism, the availability and cost of reinsurance, legal and judicial developments, changes in regulatory requirements and other risks that the Company describes from time to time in its filings with the Securities and Exchange Commission. The Company disclaims any obligation to update such statements or to announce publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Donegal Group Inc.
Financial Highlights
(unaudited)

	Quarter Ended June 30	
	2009	2008
Net premiums earned	\$ 87,540,345	\$ 87,329,195
Investment income, net of investment expenses	5,266,161	5,793,985
Net realized investment gains (losses)	445,140	(673,627)
Total revenues	94,794,979	93,970,947
Net income	\$ 4,387,624	\$ 6,318,177
Net income per common share:		
Class A common stock - basic	\$ 0.18	\$ 0.25
Class A common stock - diluted	\$ 0.18	\$ 0.25
Class B common stock - basic and diluted	\$ 0.16	\$ 0.23

	Six Months Ended June 30	
	2009	2008
Net premiums earned	\$175,889,888	\$169,336,961
Investment income, net of investment expenses	10,623,750	11,485,726
Net realized investment gains	703,995	21,729
Total revenues	190,282,343	183,763,050
Net income	\$ 4,557,428	\$ 12,877,260
Net income per common share:		
Class A common stock - basic	\$ 0.18	\$ 0.52
Class A common stock - diluted	\$ 0.18	\$ 0.52
Class B common stock - basic and diluted	\$ 0.16	\$ 0.47

Donegal Group Inc.
Consolidated Statements of Income
(unaudited; in thousands, except share data)

	Quarter Ended June 30	
	2009	2008
Net premiums earned	\$ 87,540	\$ 87,329
Investment income, net of investment expenses	5,266	5,794
Net realized investment gains (losses)	445	(674)
Lease income	235	230
Installment payment fees	1,309	1,292
Total revenues	94,795	93,971
Net losses and loss expenses	61,903	56,364
Amortization of deferred policy acquisition costs	14,634	14,572
Other underwriting expenses	12,527	14,068
Other expenses	307	398
Policyholder dividends	92	217
Interest	198	534
Total expenses	89,661	86,153

Income before income tax expense	5,134	7,818
Income tax expense	746	1,500
	-----	-----
Net income	\$ 4,388	\$ 6,318
	=====	=====
Net income per common share:		
Class A common stock - basic	\$ 0.18	\$ 0.25
	-----	-----
Class A common stock - diluted	\$ 0.18	\$ 0.25
	-----	-----
Class B common stock - basic and diluted	\$ 0.16	\$ 0.23
	-----	-----
Supplementary Financial Analysts' Data		
Weighted-average number of shares outstanding:		
Class A common stock - basic	19,898,680	19,879,304
	-----	-----
Class A common stock - diluted	19,898,680	19,956,601
	-----	-----
Class B common stock - basic and diluted	5,576,775	5,576,775
	-----	-----
Net written premiums	\$ 93,581	\$ 94,488
	-----	-----
Book value per common share at end of period	\$ 14.58	\$ 14.05
	-----	-----

Donegal Group Inc.
Consolidated Statements of Income
(unaudited; in thousands, except share data)

	Six Months Ended June 30	
	2009	2008
	-----	-----
Net premiums earned	\$ 175,890	\$ 169,337
Investment income, net of investment expenses	10,624	11,486
Net realized investment gains	704	22
Lease income	456	474
Installment payment fees	2,608	2,444
	-----	-----
Total revenues	190,282	183,763
	-----	-----
Net losses and loss expenses	127,852	110,149
Amortization of deferred policy acquisition costs	29,367	28,291
Other underwriting expenses	25,204	26,471
Other expenses	775	897
Policyholder dividends	335	487
Interest	1,403	1,147
	-----	-----
Total expenses	184,936	167,442
	-----	-----
Income before income tax expense	5,346	16,321
Income tax expense	789	3,444
	-----	-----
Net income	\$ 4,557	\$ 12,877
	=====	=====
Net income per common share:		
Class A common stock - basic	\$ 0.18	\$ 0.52
	-----	-----
Class A common stock - diluted	\$ 0.18	\$ 0.52
	-----	-----
Class B common stock - basic		

and diluted	\$ 0.16	\$ 0.47
	-----	-----
Supplementary Financial Analysts' Data		
Weighted-average number of shares outstanding:		
Class A common stock - basic	19,891,096	19,833,576
	-----	-----
Class A common stock - diluted	19,891,096	19,943,640
	-----	-----
Class B common stock - basic and diluted	5,576,775	5,576,775
	-----	-----
Net written premiums	\$ 181,584	\$ 194,163
	-----	-----
Book value per common share at end of period	\$ 14.58	\$ 14.05
	-----	-----

Donegal Group Inc.
Consolidated Balance Sheets
(in thousands)

	June 30, 2009	December 31, 2008
	-----	-----
	(unaudited)	
ASSETS		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 81,367	\$ 99,878
Available for sale, at fair value	494,305	445,816
Equity securities, at fair value	5,896	5,895
Investments in affiliates	8,802	8,594
Short-term investments, at cost	40,310	71,953
	-----	-----
Total investments	630,680	632,136
Cash	7,481	1,831
Premiums receivable	60,390	55,337
Reinsurance receivable	85,000	79,953
Accrued investment income	6,649	6,656
Deferred policy acquisition costs	30,706	29,541
Prepaid reinsurance premiums	55,468	51,436
Property and equipment, net	6,832	6,687
Deferred tax asset, net	7,975	10,995
Other assets	2,643	5,537
	-----	-----
Total assets	\$ 893,824	\$ 880,109
	=====	=====

Donegal Group Inc.
Consolidated Balance Sheets (continued)
(in thousands)

	June 30, 2009	December 31, 2008
	-----	-----
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Losses and loss expenses	\$ 249,497	\$ 239,809
Unearned premiums	238,740	229,014
Accrued expenses	9,929	14,150
Subordinated debentures	15,465	15,465
Due to affiliate	755	3,148
Accounts payable - securities	742	1,821
Other liabilities	7,368	13,118
	-----	-----
Total liabilities	522,496	516,525
	-----	-----
Stockholders' equity:		

Preferred stock	--	--
Class A common stock	205	205
Class B common stock	56	56
Additional paid-in capital	163,891	163,137
Accumulated other comprehensive income	7,177	1,714
Retained earnings	208,908	207,182
Treasury stock, at cost	(8,909)	(8,710)
	-----	-----
Total stockholders' equity	371,328	363,584
	-----	-----
Total liabilities and stockholders' equity	\$ 893,824	\$ 880,109
	=====	=====

CONTACT: Donegal Group Inc.
Jeffrey D. Miller, Senior Vice President
& Chief Financial Officer
(717) 426-1931
Fax (717) 426-7009
jeffmiller@donegalgroup.com