

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): August 17, 2004

Donegal Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-15341

(Commission
file number)

23-02424711

(I.R.S. employer
identification no.)

1195 River Road, Marietta, Pennsylvania

(Address of principal executive offices)

17547

(Zip code)

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

N/A

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

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

See Exhibit Index.

Item 9. Regulation FD Disclosure.

On August 17, 2004, Donegal Mutual Insurance Company (the "Mutual Company"), holder of approximately 41% of the outstanding Class A common stock and approximately 63% of the outstanding Class B common stock of the Donegal Group Inc. (the "Company"), issued a press release announcing that the Mutual Company will, at its discretion, purchase shares of Class A common stock and Class B common stock of the Company at market prices prevailing from time to time in the open market subject to the provisions of SEC Rule 10b-18 and in privately negotiated transactions. The press release is attached as an exhibit to this Form 8-K.

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.

By: /s/ Donald H. Nikolaus
Donald H. Nikolaus, President
and Chief Executive Officer

Date: August 17, 2004

EXHIBIT INDEX

Exhibit No.	Description	Reference
99.1*	Press Release issued by Donegal Mutual Insurance Company, dated August 17, 2004.	Filed herewith.

* This press release shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference in any filing under the Securities Act of 1933.

DONEGAL MUTUAL INSURANCE COMPANY ANNOUNCES INTENTION TO PURCHASE COMMON STOCK OF DONEGAL GROUP INC.

Ralph G. Spontak
Senior Vice President and Chief Financial Officer
Phone (717) 416-1931
Fax (717) 426-7009

For Immediate Release

MARIETTA, Pennsylvania, August 17, 2004 – Donegal Mutual Insurance Company announced today that it will, at its discretion, purchase shares of Class A common stock and Class B common stock of Donegal Group Inc. (Nasdaq: DGICA and DGICB) at market prices prevailing from time to time in the open market subject to the provisions of SEC Rule 10b-18 and in privately negotiated transactions. At June 30, 2004, the Mutual Company held approximately 41% of the outstanding Class A common stock and approximately 63% of the outstanding Class B common stock of Donegal Group Inc.

Donald H. Nikolaus, President and Chief Executive Officer of Donegal Mutual Insurance Company, stated, “We believe that the purchase of Donegal Group Inc.’s Class A and Class B common stock at current market prices represents a prudent and attractive investment opportunity for the Mutual Company. We believe the Mutual Company’s majority ownership interest in Donegal Group Inc. provides it with the stability and continuity that has permitted the insurance subsidiaries of Donegal Group Inc. to outperform the industry.” On July 19, 2004, Donegal Group Inc. reported record net income for the quarter and six months ended June 30, 2004.

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 Hampshire, New York and Pennsylvania), eight Southeastern states (Alabama, Georgia, Louisiana, North Carolina, South Carolina, Tennessee, Virginia and West Virginia) and five Midwestern states (Iowa, Nebraska, Ohio, Oklahoma and South Dakota). Donegal Group Inc.’s wholly owned subsidiaries include Atlantic States Insurance Company and Southern Insurance Company of Virginia. It has a pooling arrangement with its affiliate, Donegal Mutual Insurance Company.

All statements contained in this 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 involve a number of risks and uncertainties. Actual results could vary materially. Some factors that could cause actual results to vary

materially include: the ability of Donegal Group Inc. to maintain profitable operations, the adequacy of its reserves for losses and loss adjustment expenses, business and economic conditions in its 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 that both Donegal Mutual Insurance Company and Donegal Group Inc. file with the Securities and Exchange Commission. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such statements should not be regarded as a representation by either company or any other person. Donegal Mutual Insurance Company and Donegal Group Inc. disclaim any obligation to update such statements or to announce publicly the results of any revisions to any of the forward-looking statements included herein to reflect future events or developments.