

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

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

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**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**

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(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))

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**Item 2.02. Results of Operations and Financial Condition.**

On April 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 April 24, 2009

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**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.**

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(Registrant)

**April 24, 2009**

**/s/ JEFFREY D. MILLER**

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(Date)

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Jeffrey D. Miller  
*Senior Vice President and Chief Financial Officer*

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## **Exhibit Index**

99.1 Press release dated April 24, 2009

## Donegal Group Inc. Announces First Quarter Earnings

MARIETTA, Pa., April 24, 2009 (GLOBE NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported that its net income for the first quarter ended March 31, 2009 was \$169,804, or \$.01 per share of Class A common stock on a diluted basis, compared to \$6,559,083, or \$.26 per share of Class A common stock on a diluted basis, for the first quarter of 2008. As Donegal Group previously announced, higher losses and loss expenses from claim activity attributable to severe winter weather in the Company's operating areas and an unusually large number of fire losses adversely impacted the Company's net income for the first quarter of 2009.

The Company's revenues for the first quarter of 2009 were \$95,487,364, an increase of 6.3% over the year-earlier period, with net premiums earned of \$88,349,543, representing a 7.7% increase over the first quarter of 2008. Net premiums written in the first quarter of 2009 were \$88,003,128, an expected decrease from net premiums written in the first quarter of 2008, when the Company received a transfer of \$13.6 million in unearned premiums pursuant to a change in the pooling agreement between Atlantic States Insurance Company and Donegal Mutual Insurance Company effective March 1, 2008. The Company expects its 2009 reinsurance costs will be comparable to those incurred for 2008, as modest rate increases for certain reinsurance coverage were offset by a rate reduction resulting from the Company's decision to increase its per loss retention from \$600,000 to \$750,000 effective January 1, 2009.

Net investment income decreased modestly to \$5,357,589 for the first quarter of 2009, compared to \$5,691,741 for the first quarter of 2008. The impact of lower short-term interest rates during the first quarter of 2009 offset investment income attributable to an increase in average invested assets compared to the year earlier period. The Company did not recognize any other-than-temporary impairments in its securities portfolio in the first quarter of 2009.

The Company's combined ratio was 105.9% for the first quarter of 2009, compared to 97.8% for the first quarter of 2008. The increase in the Company's combined ratio resulted from an increase in its loss ratio during the first quarter of 2009 to 74.7%, compared to the loss ratio of 65.6% the Company posted for the first quarter of 2008. The Company incurred a substantial number of wind, hail and fire claims throughout its operating regions in the 2009 period. The Company's reinsurance program limited the impact of several weather events occurring in the Mid-Atlantic and Midwest regions. The Company's expense ratio decreased to 31.0% for the first quarter of 2009, compared to 31.9% for the first quarter of 2008, reflecting the benefits of increased net premiums earned during the first quarter of 2009 and expense savings initiatives commenced in the fourth quarter of 2008. Both quarterly periods reflected reduced levels of underwriting-based incentive compensation costs due to loss ratios that were higher in those periods. The Company previously announced that it accrued \$1.4 million on a pre-tax basis during the first quarter of 2009 related to an adverse court ruling in a contested premium tax issue, which the Company is appealing. The impact of this court ruling is not expected to have a material impact on the Company's future results of operations.

The Company's total stockholders' equity, or book value, increased to \$368,349,746, a per common share amount of \$14.47, at March 31, 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 quarter of 2009.

"We are disappointed to report adverse underwriting results for the first quarter, but we do not believe that the increased claim activity reflects any deficiency in our underwriting process. In spite of the numerous challenges we faced in the first quarter, we are pleased that our conservative investment philosophy has once again contributed to an increase in our book value. We continue to be well-positioned to take advantage of opportunities that might arise," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

The Company's board of directors has declared a regular quarterly cash dividend payable May 15, 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 May 1, 2009. These dividends represent percentage increases of 7.1% for the Company's Class A common stock and 8.1% for the Company's Class B common stock compared to the previous quarterly cash dividend.

The Company will hold a conference call and webcast on Friday, April 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](http://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 March 31	
	2009	2008
Net premiums earned	\$88,349,543	\$82,007,766
Investment income, net of investment expenses	5,357,589	5,691,741
Net realized investment gains	258,855	695,356
Total revenues	95,487,364	89,792,103
Net income	\$ 169,804	\$ 6,559,083
Net income per common share:		
Class A common stock - basic	\$ 0.01	\$ 0.26
Class A common stock - diluted	\$ 0.01	\$ 0.26
Class B common stock - basic and diluted	\$ 0.01	\$ 0.24

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

	Quarter Ended March 31	
	2009	2008
Net premiums earned	\$ 88,349	\$ 82,008
Investment income, net of investment expenses	5,357	5,692
Net realized investment gains	259	695
Lease income	222	244
Installment payment fees	1,300	1,153
Total revenues	95,487	89,792
Net losses and loss expenses	65,949	53,785
Amortization of deferred policy acquisition costs	14,733	13,719
Other underwriting expenses	12,677	12,403
Other expenses	468	499
Policyholder dividends	243	270
Interest	1,205	613
Total expenses	95,275	81,289
Income before income tax expense	212	8,503
Income tax expense	42	1,944
Net income	\$ 170	\$ 6,559
Net income per common share:		
Class A common stock - basic	\$ 0.01	\$ 0.26
Class A common stock - diluted	\$ 0.01	\$ 0.26
Class B common stock - basic and diluted	\$ 0.01	\$ 0.24

Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:		
Class A common stock - basic	19,883,429	19,787,849
Class A common stock - diluted	19,883,429	19,930,680
Class B common stock - basic and diluted	5,576,775	5,576,775
Net written premiums	\$ 88,003	\$ 99,675
Book value per common share at end of period	\$ 14.47	\$ 14.01

Donegal Group Inc.  
Consolidated Balance Sheets  
(in thousands)

	March 31, 2009	December 31, 2008
	----- (unaudited)	-----
ASSETS		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 90,023	\$ 99,878
Available for sale, at fair value	485,222	445,816
Equity securities, at fair value	7,906	5,895
Investments in affiliates	8,707	8,594
Short-term investments, at cost	47,760	71,953
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Total investments	639,618	632,136
Cash	2,291	1,831
Premiums receivable	56,804	55,337
Reinsurance receivable	83,104	79,953
Accrued investment income	6,563	6,656
Deferred policy acquisition costs	29,626	29,541
Prepaid reinsurance premiums	52,090	51,436
Property and equipment, net	6,999	6,687
Deferred tax asset, net	8,665	10,995
Other assets	4,619	5,537
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Total assets	\$ 890,379	\$ 880,109
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Donegal Group Inc.  
Consolidated Balance Sheets (continued)  
(in thousands)

	March 31, 2009	December 31, 2008
	----- (unaudited)	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Losses and loss expenses	\$ 249,158	\$ 239,809
Unearned premiums	229,321	229,014
Accrued expenses	11,762	14,150
Subordinated debentures	15,465	15,465
Due to affiliate	1,155	3,148
Accounts payable - securities	7,262	1,821
Other liabilities	7,906	13,118
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Total liabilities	522,029	516,525
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Stockholders' equity:		
Preferred stock	--	--
Class A common stock	205	205
Class B common stock	56	56
Additional paid-in capital	163,461	163,137
Accumulated other comprehensive income	6,053	1,714
Retained earnings	207,323	207,182
Treasury stock, at cost	(8,748)	(8,710)
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Total stockholders' equity	368,350	363,584
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Total liabilities and stockholders' equity	\$ 890,379	\$ 880,109
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