



**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): July 22, 2005

**Donegal Group Inc.**

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

\_\_\_\_\_  
Delaware  
(State or other  
jurisdiction of  
incorporation)

\_\_\_\_\_  
0-15341  
(Commission file  
number )

\_\_\_\_\_  
23-2424711  
(IRS 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)

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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On July 22, 2005, the Registrant issued a press release regarding the Company's financial results for its second quarter ended June 30, 2005. The press release is exhibit 99.1 to this Form 8-K. 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.

Item 9.01. Financial Statements and Exhibits

SIGNATURES

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PRESS RELEASE DATED JULY 22, 2005 ISSUED BY THE COMPANY

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### Item 2.02 Results of Operations.

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### Item 9.01. Financial Statements and Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by Donegal Group Inc. (the "Company") dated July 22, 2005

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: July 22, 2005

By: /s/ Jeffrey D. Miller  
Jeffrey D. Miller, Senior Vice President  
and Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated July 22, 2005 issued by the Company.

**DONEGAL GROUP INC. ANNOUNCES EARNINGS FOR SECOND QUARTER**

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

For Immediate Release

MARIETTA, Pennsylvania, July 22, 2005 – Donegal Group Inc. (Nasdaq: DGICA and DGICB) today reported that its net income for the second quarter ended June 30, 2005 climbed 31.5% to \$8,903,275, or \$.48 per share on a diluted basis, compared to \$6,770,187, or \$.37 per share on a diluted basis, for the second quarter of 2004.

The second quarter earnings were a result of excellent underwriting results, the absence of significant weather events and by a continuation of solid revenue growth. Revenues for the second quarter of 2005 were \$79,492,080, an increase of 12.4% over a year earlier, with premiums earned for the second quarter of \$73,438,090, a 12.1% increase over the second quarter of 2004. Investment income increased 13.4% to \$4,356,628 for the second quarter of 2005 compared to \$3,842,574 for the second quarter of 2004.

The Company's loss ratio for the second quarter of 2005 improved to a record low of 54.2% and compared to a loss ratio of 61.0% for the second quarter of 2004. Net losses in the second quarter of 2004 included property claims from a severe weather event in the Midwest of approximately \$1 million, net of reinsurance, that added 1.5 percentage points to the loss ratio in that quarter. The Company's GAAP expense ratio increased to 35.0% for the second quarter of 2005 compared to 30.7% for the second quarter of 2004, continuing to reflect higher levels of incentive compensation resulting from the excellent claim results.

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Net income for the six months ended June 30, 2005 was \$17,320,363, or \$.94 per share on a diluted basis, compared to \$13,056,823, or \$.72 per share on a diluted basis, before extraordinary item, for the six months ended June 30, 2004. Including the extraordinary item, a gain of \$5,445,670, or \$.30 per share on a diluted basis related to an acquisition, net income in the first six months of 2004 was \$18,502,493, or \$1.02 per share on a diluted basis.

“The continuation of solid premium growth and strong underwriting results in both the personal lines and commercial lines sectors reflects the effectiveness of our underwriting and marketing strategy,” stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

The Company’s combined ratio for the first six months of 2005 was 90.1% compared to a combined ratio of 92.2% for the comparable period in 2004. The Company’s loss ratio for the first six months of 2005 improved to 56.0% compared to 62.7% for the first six months of 2004.

These strong results helped the Company increase its book value to \$14.37 per common share as of June 30, 2005, compared to \$13.53 per common share at December 31, 2004.

All 2004 per share information has been restated to reflect a 4-for-3 stock split effected in the form of a 33 1/3% stock dividend issued on March 28, 2005.

The Company announced yesterday that its Board of Directors approved a quarterly cash dividend payable August 15, 2005 of \$.10 per share of Class A Common Stock and \$.085 per share of Class B Common Stock to stockholders of record as of August 1, 2005.

The Company will hold a conference call on Friday, July 22, 2005, beginning at 11:00 A. M. Eastern Daylight Time. You may participate in the conference call by calling 1-800-901-5217 (Passcode 29091666). An instant replay of the conference call will be available until July 29, 2005, by calling 1-888-286-8010 (Passcode 51583063).

Donegal Group Inc. is an insurance holding company whose insurance subsidiaries offer personal and commercial property and casualty lines of insurance 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).

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All statements contained in this press 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 necessarily involve a number of 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, 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 Company's 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.

(Tables Follow)

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

	Second Quarter Ended	
	June 30, 2005	June 30, 2004*
Net premiums earned	\$ 73,438,090	\$ 65,498,402
Investment income, net of investment expenses	4,356,628	3,842,574
Realized investment gains	420,061	175,555
Total revenues	79,492,080	70,692,422
<b>Net income</b>	<b>\$ 8,903,275</b>	<b>\$ 6,770,187</b>
Net income per common share		
Basic	\$ 0.50	\$ 0.39
Diluted	\$ 0.48	\$ 0.37
	Six Months Ended	
	June 30, 2005	June 30, 2004*
Net premiums earned	\$ 145,200,613	\$ 128,197,880
Investment income, net of investment expenses	8,764,096	7,622,591
Realized investment gains	1,110,352	643,998
Total revenues	157,571,138	138,694,083
Net income before extraordinary item	\$ 17,320,363	\$ 13,056,823
Net income after extraordinary item	\$ 17,320,363	\$ 18,502,493
Net income per common share before extraordinary item		
Basic	\$ 0.96	\$ 0.76
Diluted	\$ 0.94	\$ 0.72

Six Months Ended	
June 30, 2005	June 30, 2004*

Net income per common share after extraordinary item

Basic	\$	0.96	\$	1.07
Diluted	\$	0.94	\$	1.02

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\*Per share information restated for 4-for-3 stock split

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

	Quarter Ended	
	June 30, 2005	June 30, 2004*
Net premiums earned	\$ 73,438	\$ 65,498
Investment income, net of investment expenses	4,357	3,843
Realized investment gains	420	176
Lease income	236	219
Service charge income	1,041	956
Total revenues	<u>79,492</u>	<u>70,692</u>
Losses and loss expenses	39,808	39,961
Amortization of deferred policy acquisition costs	11,736	9,942
Other underwriting expenses	13,991	10,099
Other expenses	460	498
Policyholder dividends	256	94
Interest	543	360
Total expenses	<u>66,794</u>	<u>60,954</u>
Income before income taxes	12,698	9,738
Income tax expense	3,795	2,968
Net income	<u>\$ 8,903</u>	<u>\$ 6,770</u>
Net income per common share		
Basic	<u>\$ 0.50</u>	<u>\$ 0.39</u>
Diluted	<u>\$ 0.48</u>	<u>\$ 0.37</u>
Supplementary Financial Analysts' Data		
Weighted average number of shares outstanding		
Basic	<u>17,974,820</u>	<u>17,516,244</u>
Diluted	<u>18,536,772</u>	<u>18,161,540</u>

	Quarter Ended	
	June 30, 2005	June 30, 2004*
Net written premiums	\$ 80,309	\$ 73,775
Book value per common share	\$ 14.37	\$ 12.92

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\* Per share information restated for 4-for-3 stock split

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

	Six Months Ended	
	June 30, 2005	June 30, 2004*
Net premiums earned	\$ 145,201	\$ 128,198
Investment income, net of investment expenses	8,764	7,623
Realized investment gains	1,110	644
Lease income	465	439
Service fees	2,031	1,790
Total revenues	<u>157,571</u>	<u>138,694</u>
Losses and loss expenses	81,346	80,332
Amortization of deferred policy acquisition costs	23,222	18,287
Other underwriting expenses	25,645	19,157
Other expenses	890	1,081
Dividends	608	462
Interest	1,041	697
Total expenses	<u>132,752</u>	<u>120,016</u>
Income before income taxes and extraordinary item	24,819	18,678
Income tax expense	7,499	5,621
Net income before extraordinary item	17,320	13,057
Extraordinary item	—	5,445
Net income after extraordinary item	<u>\$ 17,320</u>	<u>\$ 18,502</u>
Net income per common share before extraordinary item		
Basic	<u>\$ 0.96</u>	<u>\$ 0.76</u>
Diluted	<u>\$ 0.94</u>	<u>\$ 0.72</u>

	Six Months Ended	
	June 30, 2005	June 30, 2004*
Net income per common share after extraordinary item		
Basic	\$ 0.96	\$ 1.07
Diluted	\$ 0.94	\$ 1.02
Supplementary Financial Analysts' Data		
Weighted average number of shares outstanding		
Basic	17,960,945	17,351,337
Diluted	18,505,153	18,086,456
Net written premiums	\$ 154,807	\$ 142,191

\* Per share information restated for 4-for-3 stock split

Consolidated Balance Sheet  
(in thousands)

	<u>June 30, 2005</u> (unaudited)	<u>December 31, 2004</u>
<b>ASSETS</b>		
Investments:		
Fixed Maturities:		
Held to maturity, at amortized cost	\$ 185,069	\$ 182,574
Available for sale, at fair value	276,496	226,757
Equity securities, at fair value	35,912	33,505
Investments in affiliates	8,638	8,865
Short-term investments, at cost, which approximates fair value	21,655	47,368
Total investments	527,770	499,069
Cash	5,657	7,350
Premiums in course of collection	48,651	44,267
Reinsurance receivable	98,505	98,479
Accrued investment income	5,110	4,961
Deferred policy acquisition costs	23,596	22,258
Prepaid reinsurance premiums	41,500	35,907
Property and equipment, net	5,502	5,509
Deferred income taxes	11,793	10,922
Other assets	2,300	6,693
Total assets	\$ 770,384	\$ 735,415
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Unpaid losses and loss settlement expenses	\$ 267,223	\$ 267,190
Unearned premiums	189,657	174,458
Accounts payable and accrued expenses	12,186	13,414



	<u>June 30, 2005</u> (unaudited)	<u>December 31, 2004</u>
Debt	30,929	30,929
Due to affiliates	—	241
Other liabilities	11,937	6,479
Total liabilities	511,932	492,711
Stockholders' equity:		
Preferred stock	—	—
Class A common stock	139	139
Class B common stock	42	42
Additional paid-in capital	132,790	131,980
Accumulated other comprehensive income	4,174	4,750
Retained earnings	122,199	106,685
Treasury stock, at cost	(892)	(892)
Total stockholders' equity	258,452	242,704
Total liabilities and stockholders' equity	<u>\$ 770,384</u>	<u>\$ 735,415</u>