

**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 18, 2008**

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 18, 2008 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 18, 2008

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 18, 2008

/s/ JEFFREY D. MILLER

(Date)

Jeffrey D. Miller
Senior Vice President and Chief Financial Officer

Exhibit Index

99.1 Press release dated July 18, 2008

Donegal Group Inc. Announces Second Quarter Earnings

MARIETTA, Pa., July 18, 2008 (PRIME NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported that its net income for the quarter ended June 30, 2008 was \$6,892,918, or \$.28 per share of Class A common stock on a diluted basis, compared to \$10,780,956, or \$.43 per share of Class A common stock on a diluted basis, for the second quarter of 2007. Catastrophe losses in the Company's Midwestern and Southeastern regions impacted second quarter results. Pre-tax weather-related losses, net of reinsurance, totaled approximately \$8 million for the second quarter of 2008.

Revenues for the second quarter of 2008 were \$93,970,947, an increase of 11.1% over the second quarter of 2007, with net premiums earned of \$87,329,195, a 12.6% increase over the year-earlier period. Net premiums written for the second quarter of 2008 were \$94,488,556, representing a 13.8% increase over net premiums written of \$83,059,396 for the second quarter of 2007. Net premiums written and earned in the 2008 period reflected the impact of an increased pooling allocation of approximately \$8 million and benefited from the renewal of the Company's 2008 reinsurance program at lower rates compared to 2007. The lower reinsurance rates were largely due to the Company's decision to increase its per loss retention from \$400,000 to \$600,000 effective January 1, 2008.

The Company's combined ratio was 96.6% for the second quarter of 2008, reflecting the impact of the previously mentioned weather-related losses. The Company posted a record low quarterly combined ratio of 88.0% for the second quarter of 2007, during which the Company benefited from relatively mild weather conditions in its operating regions and experienced favorable prior accident year reserve development from claim settlements.

The Company's expense ratio decreased to 32.8% for the second quarter of 2008, compared to 35.4% for the second quarter of 2007, reflecting the impact of increased premiums earned as well as lower expenses incurred for underwriting-based incentive costs in regions affected by weather events.

Net investment income increased to \$5,793,985 for the second quarter of 2008, an increase of 4.2% over the \$5,562,185 reported for the second quarter of 2007. Realized investment losses for the second quarter of 2008 included impairment losses of \$780,000 related to declines in the market value of equity securities of financial institutions that the Company determined to be other than temporary in nature.

Net income for the six months ended June 30, 2008 was \$13,617,901, or \$.55 per share of Class A common stock on a diluted basis, compared to \$16,270,894, or \$.65 per share of Class A common stock on a diluted basis, for the six months ended June 30, 2007. The Company's combined ratio for the first six months of 2008 was 97.0%, compared to a combined ratio of 93.2% for the comparable period in 2007. The Company's loss ratio was 64.4% for the first six months of 2008, compared to 59.1% for the first six months of 2007, with the increase reflecting increased weather-related claim activity and less favorable prior accident year reserve development in the first six months of 2008.

"We are disappointed with the decrease in earnings for the second quarter of 2008 compared to the prior year period, but we are pleased to be able to report continued premium growth and profitability in a quarter that contained an unprecedented number of severe weather events in various regions of the country. Challenging conditions notwithstanding, we continue to pursue opportunities for profitable growth and the expansion of our franchise," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

The Company's book value increased to \$14.05 per common share at June 30, 2008, representing an increase of 6.7% over the Company's book value of \$13.17 per common share at June 30, 2007.

The Company's board of directors yesterday approved a quarterly cash dividend payable August 15, 2008 of \$.105 per share of Class A common stock and \$.0925 per share of Class B common stock to stockholders of record as of the close of business on August 1, 2008.

The Company will hold a conference call and webcast on Friday, July 18, 2008, beginning at 11:00 A.M. Eastern Daylight Time. You may participate in the conference call by calling 1-866-393-7723 (Conference ID 53270677) or listen via Internet by accessing the "Earnings Release Webcast" link in the Investor Relations area of the Company's web site at www.donegalgroup.com. An instant replay of the conference call will be available until July 24, 2008 by calling 1-800-642-1687 (Conference ID 53270677).

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), 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).

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, 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 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.

Donegal Group Inc.
Financial Highlights
(unaudited)

	Quarter Ended June 30	
	2008	2007
Net premiums earned	\$ 87,329,195	\$ 77,574,827
Investment income, net of investment expenses	5,793,985	5,562,185
Net realized investment gains (losses)	(673,627)	60,645
Total revenues	93,970,947	84,605,176
Net income	\$ 6,892,918	\$ 10,780,956
Net income per common share:		
Class A common stock - basic	\$ 0.28	\$ 0.44
Class A common stock - diluted	\$ 0.28	\$ 0.43
Class B common stock - basic and diluted	\$ 0.25	\$ 0.39

	Six Months Ended June 30	
	2008	2007
Net premiums earned	\$169,336,961	\$154,272,646
Investment income, net of investment expenses	11,485,726	11,066,244
Net realized investment gains	21,729	165,430
Total revenues	183,763,050	168,287,192
Net income	\$ 13,617,901	\$ 16,270,894
Net income per common share:		
Class A common stock - basic	\$ 0.55	\$ 0.66
Class A common stock - diluted	\$ 0.55	\$ 0.65
Class B common stock - basic and diluted	\$ 0.49	\$ 0.59

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

	Quarter Ended June 30	
	2008	2007
Net premiums earned	\$ 87,329	\$ 77,575
Investment income, net of investment expenses	5,794	5,562
Net realized investment gains (losses)	(674)	61
Lease income	230	262
Installment payment fees	1,292	1,145
Total revenues	93,971	84,605
Net losses and loss expenses	55,480	40,549
Amortization of deferred policy acquisition costs	14,572	12,532
Other underwriting expenses	14,068	14,926
Other expenses	397	521
Policyholder dividends	217	259
Interest	534	718
Total expenses	85,268	69,505

Income before income tax expense	8,703	15,100
Income tax expense	1,810	4,319

Net income	\$ 6,893	\$ 10,781
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Net income per common share:		
Class A common stock - basic	\$ 0.28	\$ 0.44
Class A common stock - diluted	\$ 0.28	\$ 0.43
Class B common stock - basic and diluted	\$ 0.25	\$ 0.39

Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:		
Class A common stock - basic	19,879,304	19,684,922
Class A common stock - diluted	19,956,601	19,936,058
Class B common stock - basic and diluted	5,576,775	5,576,775

Net written premiums	\$ 94,488	\$ 83,060
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Book value per common share at end of period	\$ 14.05	\$ 13.17
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Donegal Group Inc.
Consolidated Statements of Income
(unaudited; in thousands, except share data)

Six Months Ended June 30

	2008	2007
Net premiums earned	\$ 169,337	\$ 154,273
Investment income, net of investment expenses	11,486	11,066
Net realized investment gains	22	165
Lease income	474	523
Installment payment fees	2,444	2,260
Total revenues	183,763	168,287

Net losses and loss expenses	109,010	91,144
Amortization of deferred policy acquisition costs	28,291	24,950
Other underwriting expenses	26,471	27,111
Other expenses	897	1,013
Policyholder dividends	487	507
Interest	1,146	1,427
Total expenses	166,302	146,152

Income before income tax expense	17,461	22,135
Income tax expense	3,843	5,864

Net income	\$ 13,618	\$ 16,271
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Net income per common share:		
Class A common stock - basic	\$ 0.55	\$ 0.66
Class A common stock - diluted	\$ 0.55	\$ 0.65
Class B common stock - basic and diluted	\$ 0.49	\$ 0.59

Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:		
Class A common stock - basic	19,833,576	19,698,486
Class A common stock - diluted	19,943,640	20,026,067
Class B common stock - basic and diluted	5,576,775	5,576,775
Net written premiums	\$ 194,163	\$ 162,979
Book value per common share at end of period	\$ 14.05	\$ 13.17

Donegal Group Inc.
Consolidated Balance Sheets
(in thousands)

	June 30, 2008	December 31, 2007
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	(unaudited)	
ASSETS		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 112,497	\$ 154,290
Available for sale, at fair value	425,951	336,318
Equity securities, at fair value	32,926	36,361
Investments in affiliates	8,521	8,649
Short-term investments, at cost	38,288	70,252
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Total investments	618,183	605,870
Cash	4,168	4,289
Premiums receivable	59,186	51,038
Reinsurance receivable	79,483	78,897
Accrued investment income	6,368	5,875
Deferred policy acquisition costs	30,087	26,235
Prepaid reinsurance premiums	53,223	47,286
Property and equipment, net	5,826	5,608
Deferred tax asset, net	11,448	7,026
Federal income tax recoverable	1,843	--
Due from affiliate	957	--
Other assets	1,228	1,972
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Total assets	\$ 872,000	\$ 834,096
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Donegal Group Inc.
Consolidated Balance Sheets (continued)
(in thousands)

	June 30, 2008	December 31, 2007
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	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Losses and loss expenses	\$ 234,679	\$ 226,432
Unearned premiums	234,194	203,431
Accrued expenses	10,738	12,313
Subordinated debentures	30,929	30,929
Due to affiliate	--	242
Accounts payable - securities	19	1,820
Other liabilities	4,134	6,239
	-----	-----
Total liabilities	514,693	481,406
	-----	-----
Stockholders' equity:		
Preferred stock	--	--
Class A common stock	204	202
Class B common stock	56	56
Additional paid-in capital	159,778	156,851
Accumulated other comprehensive income	67	6,974
Retained earnings	204,779	193,807
Treasury stock, at cost	(7,577)	(5,200)
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Total stockholders' equity	357,307	352,690
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Total liabilities and stockholders' equity \$ 872,000 \$ 834,096
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