

**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) **October 19, 2007**

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(b) 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 October 19, 2007 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 October 19, 2007

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)

October 19, 2007

/s/ JEFFREY D. MILLER

(Date)

Jeffrey D. Miller
Senior Vice President and Chief Financial Officer

Exhibit Index

99.1 Press release dated October 19, 2007

Donegal Group Inc. Announces Third Quarter Earnings

MARIETTA, Penn., Oct. 19, 2007 (PRIME NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported that its net income for the third quarter ended September 30, 2007 was \$11,212,428, or \$.45 per share of Class A common stock on a diluted basis, an increase of 14.2% over the \$9,818,301, or \$.39 per share of Class A common stock on a diluted basis, reported for the third quarter of 2006.

The Company's third quarter net income represented the highest quarterly earnings in its history and reflected excellent underwriting results attributable to the absence of significant weather events, reductions in claim frequency and favorable prior accident year claim settlements during the quarter.

Revenues for the third quarter of 2007 were \$85,440,831, an increase of 3.4% over the third quarter of 2006, with net premiums earned of \$77,609,940, a 2.5% increase over the year-earlier period. Net premiums written for the third quarter of 2007 were relatively unchanged from net premiums written for the third quarter of 2006.

The Company's combined ratio was 88.3% for the third quarter of 2007, compared to 89.5% for the third quarter of 2006. The Company's loss ratio for the third quarter of 2007 was 52.8%, compared to 56.2% for the third quarter of 2006, reflecting the aforementioned improvements in claim experience. The Company's expense ratio was 35.0% for the third quarter of 2007, compared to 32.6% for the third quarter of 2006, reflecting increased costs for the acquisition of new business and increased underwriting-based incentive compensation costs.

Net investment income increased to \$5,812,669 for the third quarter of 2007, an increase of 7.9% over the \$5,385,705 reported for the third quarter of 2006.

Net income for the nine months ended September 30, 2007 was \$27,483,322, compared to \$29,169,071 reported for the nine months ended September 30, 2006. On a diluted basis, net income per share of Class A common stock for the nine months ended September 30, 2007 was \$1.10, compared to \$1.16 for the year-earlier period. The Company's combined ratio for the first nine months of 2007 was 91.5%, compared to the combined ratio of 89.3% posted for the comparable period in 2006. The Company's loss ratio was 57.0% for the first nine months of 2007, compared to 56.2% for the first nine months of 2006, with the increase reflecting increased weather-related claim activity in the first quarter of 2007. The Company's expense ratio was 34.2% for the first nine months of 2007, compared to 32.7% for the first nine months of 2006, with the increase representing increased costs for the acquisition of new business and increased underwriting-based incentive compensation costs.

"We are pleased to report record earnings for the third quarter, which we view to be a direct reflection of the underwriting discipline we have maintained in the midst of competitive insurance market conditions. We remain committed to the pursuit of profitable growth by expanding and developing our independent agency distribution system, and we continue to seek suitable acquisitions to grow our organization," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

The Company's book value increased to \$13.66 per common share at September 30, 2007, representing an increase of 10.2% over the Company's book value of \$12.39 per common share at September 30, 2006.

The Company's board of directors yesterday approved a quarterly cash dividend payable on November 15, 2007 of \$.09 per share of Class A common stock and \$.0775 per share of Class B common stock to stockholders of record as of the close of business on November 1, 2007.

The Company uses the two-class method for the computation of earnings per common share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings Per Share." The two-class method is an earnings allocation formula that determines earnings per share separately for each class of common stock based on dividends declared and an allocation of remaining undistributed earnings using a participation percentage reflecting the dividend rights of each class. The net income per common share and weighted-average number of shares outstanding for each class of common stock for the three and nine months ended September 30, 2007 and 2006 are presented in the tables that follow.

The Company will hold a conference call and webcast on Friday, October 19, 2007, beginning at 11:00 A.M. Eastern Daylight Time. You may participate in the conference call by calling 1-800-599-9829 (Passcode 76596649) or listen via the Internet by accessing the webcast link in the Investors area of the Company's web site at www.donegalgroup.com. An instant replay of the conference call will be available until October 27, 2007 by calling 1-888-286-8010 (Passcode 19476331).

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)

	Three Months Ended September 30	
	2007	2006
Net premiums earned	\$ 77,609,940	\$ 75,705,387
Investment income, net of investment expenses	5,812,669	5,385,705
Net realized investment gains	488,226	152,694
Total revenues	85,440,831	82,619,657
Net income	\$ 11,212,428	\$ 9,818,301
Net income per common share:		
Class A common stock - basic	\$ 0.45	\$ 0.40
Class A common stock - diluted	\$ 0.45	\$ 0.39
Class B common stock - basic and diluted	\$ 0.41	\$ 0.36

	Nine Months Ended September 30	
	2007	2006
Net premiums earned	\$231,882,586	\$225,280,341
Investment income, net of investment expenses	16,878,913	15,424,517
Net realized investment gains	653,656	1,034,741
Total revenues	253,728,023	245,763,039
Net income	\$ 27,483,322	\$ 29,169,071
Net income per common share:		
Class A common stock - basic	\$ 1.11	\$ 1.20
Class A common stock - diluted	\$ 1.10	\$ 1.16
Class B common stock - basic and diluted	\$ 1.00	\$ 1.08

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

	Quarter Ended September 30	
	2007	2006
Net premiums earned	\$ 77,610	\$ 75,705
Investment income, net of investment expenses	5,813	5,386
Net realized investment gains	488	153
Lease income	268	244
Installment payment fees	1,262	1,132
Total revenues	85,441	82,620
Net losses and loss expenses	41,011	42,556
Amortization of deferred policy acquisition costs	12,940	12,152
Other underwriting expenses	14,218	12,550
Other expenses	484	490
Policyholder dividends	361	520
Interest	734	726
Total expenses	69,748	68,994
Income before income tax expense	15,693	13,626

Income tax expense	4,481	3,808
Net income	\$ 11,212	\$ 9,818
Net income per common share:		
Class A common stock - basic	\$ 0.45	\$ 0.40
Class A common stock - diluted	\$ 0.45	\$ 0.39
Class B common stock - basic and diluted	\$ 0.41	\$ 0.36
Supplementary Financial Analysts' Data		
Weighted-average number of shares outstanding:		
Class A common stock - basic	19,628,405	19,548,873
Class A common stock - diluted	19,850,016	20,073,985
Class B common stock - basic and diluted	5,576,775	5,576,775
Net written premiums	\$ 79,930	\$ 80,393
Book value per common share at end of period	\$ 13.66	\$ 12.39

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

	Nine Months Ended September 30	
	2007	2006
Net premiums earned	\$ 231,882	\$ 225,280
Investment income, net of investment expenses	16,879	15,425
Net realized investment gains	654	1,035
Lease income	791	728
Installment payment fees	3,522	3,295
Total revenues	253,728	245,763
Net losses and loss expenses	132,155	126,628
Amortization of deferred policy acquisition costs	37,890	36,020
Other underwriting expenses	41,330	37,566
Other expenses	1,497	1,554
Policyholder dividends	868	1,042
Interest	2,160	2,062
Total expenses	215,900	204,872
Income before income tax expense	37,828	40,891
Income tax expense	10,345	11,722
Net income	\$ 27,483	\$ 29,169
Net income per common share:		
Class A common stock - basic	\$ 1.11	\$ 1.20
Class A common stock - diluted	\$ 1.10	\$ 1.16
Class B common stock - basic and diluted	\$ 1.00	\$ 1.08

Supplementary Financial Analysts' Data

Weighted-average number of
shares outstanding:

Class A common stock - basic	19,674,869	19,314,741
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Class A common stock - diluted	19,967,126	19,936,533
	-----	-----
Class B common stock - basic and diluted	5,576,775	5,576,775
	-----	-----
Net written premiums	\$ 242,909	\$ 236,662
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Book value per common share at end of period	\$ 13.66	\$ 12.39
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Donegal Group Inc.
Consolidated Balance Sheets
(in thousands)

	September 30, 2007	December 31, 2006
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	(unaudited)	
ASSETS:		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 160,465	\$ 169,178
Available for sale, at fair value	344,896	331,670
Equity securities, at fair value	43,960	40,542
Investments in affiliates	8,534	8,463
Short-term investments, at cost, which approximates fair value	39,051	41,485
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Total investments	596,906	591,338
Cash	4,814	532
Premiums receivable	53,571	49,948
Reinsurance receivable	90,552	97,677
Accrued investment income	5,645	5,769
Deferred policy acquisition costs	26,909	24,739
Prepaid reinsurance premiums	49,777	44,377
Property and equipment, net	5,536	5,146
Deferred tax asset, net	8,238	9,086
Other assets	6,193	3,086
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Total assets	\$ 848,141	\$ 831,698
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Donegal Group Inc.
Consolidated Balance Sheets (continued)
(in thousands)

	September 30, 2007	December 31, 2006
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	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Losses and loss expenses	\$ 242,000	\$ 259,022
Unearned premiums	213,329	196,903
Accrued expenses	11,717	12,754
Subordinated debentures	30,929	30,929
Due to affiliate	485	1,567
Other liabilities	5,177	9,721
	-----	-----
Total liabilities	503,637	510,896
	-----	-----
Stockholders' equity:		
Preferred stock	--	--
Class A common stock	200	198
Class B common stock	56	56
Additional paid-in capital	154,417	152,392
Accumulated other comprehensive income	5,854	5,061
Retained earnings	187,429	163,987
Treasury stock, at cost	(3,452)	(892)
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Total stockholders' equity	344,504	320,802
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Total liabilities and
stockholders' equity

\$ 848,141 \$ 831,698
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