

**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 22, 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 October 22, 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 October 22, 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)

October 22, 2008

/s/ JEFFREY D. MILLER

(Date)

Jeffrey D. Miller
Senior Vice President and Chief Financial Officer

Exhibit Index

99.1 Press release dated October 22, 2008

Donegal Group Inc. Announces Third Quarter Earnings

MARIETTA, Pa., Oct. 22, 2008 (GLOBE NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported that its net income for the third quarter ended September 30, 2008 was \$7,223,080, or \$.29 per share of Class A common stock on a diluted basis, compared to \$11,212,428, or \$.45 per share of Class A common stock on a diluted basis, reported for the third quarter of 2007. The Company's net income for the third quarter of 2008 reflected realized investment losses related to its equity securities and increased weather claim activity.

The Company incurred net realized investment losses of \$2,811,264, or \$0.07 per Class A share on an after-tax basis, for the third quarter of 2008, compared to net realized investment gains of \$488,226, or \$0.01 per Class A share on an after-tax basis, for the third quarter of 2007. The third quarter of 2008 investment losses included approximately \$1.4 million net realized losses upon the sale of investments and approximately \$1.4 million from other than temporary impairment and other fair value adjustments to the Company's equity investments. Equity securities represented approximately 2% of the Company's investment portfolio at September 30, 2008.

Revenues for the third quarter of 2008 were \$92,708,575, an increase of 8.5% over the third quarter of 2007, with net premiums earned of \$88,170,757, a 13.6% increase over the year-earlier period. Net premiums written for the third quarter of 2008 were \$92,177,442, an increase of 15.3% over net premiums written for the third quarter of 2007. This increase reflected organic premium growth during the third quarter of 2008 of approximately 3.8%. Net premiums written and earned in the 2008 period also reflected an increased allocation of approximately \$7.5 million related to the pooling change effective March 1, 2008, as well as reinsurance savings that were largely due to the Company's decision to increase its per loss retention effective January 1, 2008.

The Company's combined ratio was 93.8% for the third quarter of 2008, compared to 88.3% for the third quarter of 2007. The Company's loss ratio for the third quarter of 2008 was 60.4%, compared to 52.8% for the third quarter of 2007, reflecting increased weather claim activity and less favorable prior-accident-year reserve development. The Company's expense ratio was 33.0% for the third quarter of 2008, compared to 35.0% for the third quarter of 2007, reflecting decreased underwriting-based incentive compensation costs.

Net investment income was \$5,801,750 for the third quarter of 2008, relatively unchanged from the \$5,812,669 reported for the third quarter of 2007, reflecting a shift to short-term investments in lower-yielding U.S. Government securities during the third quarter of 2008. The voluntary redemption of \$15.5 million subordinated debentures on August 15, 2008 reflects management's confidence in the strength of the Company's capital position, with related interest expense savings more than offsetting the related decrease in investment income for the third quarter of 2008.

Net income for the nine months ended September 30, 2008 was \$20,840,981, compared to \$27,483,322 reported for the nine months ended September 30, 2007. On a diluted basis, net income per share of Class A common stock for the nine months ended September 30, 2008 was \$0.83, compared to \$1.10 for the year-earlier period. The Company's combined ratio for the first nine months of 2008 was 95.9%, compared to the combined ratio of 91.5% posted for the comparable period in 2007. The Company's loss ratio was 62.9% for the first nine months of 2008, compared to 57.0% for the first nine months of 2007, with the increase reflecting increased weather-related claim activity and less favorable prior-accident-year reserve development in the first nine months of 2008. The Company's expense ratio was 32.6% for the first nine months of 2008, compared to 34.2% for the first nine months of 2007, with the decrease representing decreased underwriting-based incentive compensation costs.

"We are pleased to report an increase in quarterly net income, exclusive of realized investment gains and losses, compared to the first two quarters of 2008. We are also pleased to report that our realized investment losses appear to be modest relative to those being reported by many of our peers. We continue to strive for prudent premium growth and underwriting profitability, while focusing on minimizing risk in our investment portfolio," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

The Company's book value increased to \$13.95 per common share at September 30, 2008, compared to \$13.66 per common share at September 30, 2007.

On October 16, 2008, the Company's board of directors approved a quarterly cash dividend payable on November 17, 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 November 3, 2008.

The Company will hold a conference call and webcast on Wednesday, October 22, 2008, beginning at 11:00 A.M. Eastern Daylight 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. 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), 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 September 30	
	2008	2007
Net premiums earned	\$ 88,170,757	\$ 77,609,940
Investment income, net of investment expenses	5,801,750	5,812,669
Net realized investment gains (losses)	(2,811,264)	488,226
Total revenues	92,708,575	85,440,831
Net income	\$ 7,223,080	\$ 11,212,428
Net income per common share:		
Class A common stock - basic	\$ 0.29	\$ 0.45
Class A common stock - diluted	\$ 0.29	\$ 0.45
Class B common stock - basic and diluted	\$ 0.26	\$ 0.41

	Nine Months Ended September 30	
	2008	2007
Net premiums earned	\$ 257,507,718	\$ 231,882,586
Investment income, net of investment expenses	17,287,476	16,878,913
Net realized investment gains (losses)	(2,789,535)	653,656
Total revenues	276,471,625	253,728,023
Net income	\$ 20,840,981	\$ 27,483,322
Net income per common share:		
Class A common stock - basic	\$ 0.84	\$ 1.11
Class A common stock - diluted	\$ 0.83	\$ 1.10
Class B common stock - basic and diluted	\$ 0.76	\$ 1.00

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

	Quarter Ended September 30	
	2008	2007
Net premiums earned	\$ 88,171	\$ 77,610
Investment income, net of investment expenses	5,801	5,813
Net realized investment gains (losses)	(2,811)	488
Lease income	231	268
Installment payment fees	1,316	1,262
Total revenues	92,708	85,441

Net losses and loss expenses	53,234	41,011
Amortization of deferred policy acquisition costs	14,818	12,940
Other underwriting expenses	14,241	14,218
Other expenses	315	484
Policyholder dividends	437	361
Interest	399	734
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Total expenses	83,444	69,748
	-----	-----

Income before income tax expense	9,264	15,693
Income tax expense	2,041	4,481
	-----	-----

Net income	\$ 7,223	\$ 11,212
	=====	=====

Net income per common share:		
Class A common stock - basic	\$ 0.29	\$ 0.45
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Class A common stock - diluted	\$ 0.29	\$ 0.45
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Class B common stock - basic and diluted	\$ 0.26	\$ 0.41
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Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:		
Class A common stock - basic	19,882,405	19,628,405
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Class A common stock - diluted	20,015,192	19,850,016
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Class B common stock - basic and diluted	5,576,775	5,576,775
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Net written premiums	\$ 92,177	\$ 79,930
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Book value per common share at end of period	\$ 13.95	\$ 13.66
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Donegal Group Inc.
Consolidated Statements of Income
(unaudited; in thousands, except share data)

	Nine Months Ended September 30	
	2008	2007
	-----	-----
Net premiums earned	\$ 257,508	\$ 231,882
Investment income, net of investment expenses	17,288	16,879
Net realized investment gains (losses)	(2,790)	654
Lease income	705	791
Installment payment fees	3,761	3,522
	-----	-----
Total revenues	276,472	253,728
	-----	-----
Net losses and loss expenses	162,244	132,155
Amortization of deferred policy acquisition costs	43,109	37,890
Other underwriting expenses	40,712	41,330
Other expenses	1,211	1,497
Policyholder dividends	925	868
Interest	1,546	2,160
	-----	-----
Total expenses	249,747	215,900
	-----	-----
Income before income tax expense	26,725	37,828
Income tax expense	5,884	10,345
	-----	-----
Net income	\$ 20,841	\$ 27,483
	=====	=====

Net income per common share:

Class A common stock - basic	\$	0.84	\$	1.11
Class A common stock - diluted	\$	0.83	\$	1.10
Class B common stock - basic and diluted	\$	0.76	\$	1.00

Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:

Class A common stock - basic	19,849,971	19,674,869
Class A common stock - diluted	20,026,429	19,967,126
Class B common stock - basic and diluted	5,576,775	5,576,775

Net written premiums	\$	286,341	\$	242,909
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Book value per common share at end of period	\$	13.95	\$	13.66
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Donegal Group Inc.
Consolidated Balance Sheets
(in thousands)

	September 30, 2008	December 31, 2007
	(unaudited)	
ASSETS		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 104,156	\$ 154,290
Available for sale, at fair value	414,296	336,318
Equity securities, at fair value	14,758	36,361
Investments in affiliates	8,120	8,649
Short-term investments, at cost	82,814	70,252
Total investments	624,144	605,870
Cash	6,467	4,289
Premiums receivable	59,259	51,038
Reinsurance receivable	86,509	78,897
Accrued investment income	5,899	5,875
Deferred policy acquisition costs	30,872	26,235
Prepaid reinsurance premiums	54,902	47,286
Property and equipment, net	5,774	5,608
Deferred tax asset, net	16,236	7,026
Other assets	4,009	1,972
Total assets	\$ 894,071	\$ 834,096

Donegal Group Inc.
Consolidated Balance Sheets (continued)
(in thousands)

	September 30, 2008	December 31, 2007
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Losses and loss expenses	\$ 242,148	\$ 226,432
Unearned premiums	239,880	203,431
Accrued expenses	11,248	12,313
Subordinated debentures	15,465	30,929
Due to affiliate	459	242
Accounts payable - securities	24,071	1,820
Other liabilities	5,143	6,239
Total liabilities	538,414	481,406
Stockholders' equity:		
Preferred stock	--	--
Class A common stock	205	202

Class B common stock	56	56
Additional paid-in capital	162,632	156,851
Accumulated other comprehensive income (loss)	(7,278)	6,974
Retained earnings	207,692	193,807
Treasury stock, at cost	(7,650)	(5,200)
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Total stockholders' equity	355,657	352,690
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Total liabilities and stockholders' equity	\$ 894,071	\$ 834,096
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