

**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) **September 8, 2009**

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 8.01. Other Events.

On September 8, 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 September 8, 2009

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)

September 8, 2009

/s/ **JEFFREY D. MILLER**

(Date)

Jeffrey D. Miller
Senior Vice President and Chief Financial Officer

Exhibit Index

99.1 Press release dated September 8, 2009

Donegal Mutual Insurance Company to Provide Quota Share Reinsurance to Southern Mutual Insurance Company

MARIETTA, Pa., Sept. 8, 2009 (GLOBE NEWSWIRE) -- Donald H. Nikolaus, President of Donegal Mutual Insurance Company, and Allen R. Green, President of Southern Mutual Insurance Company, today announced that Donegal Mutual has agreed to provide quota share reinsurance to Southern Mutual for up to 100% of its business. The transaction would have the following elements:

- Southern Mutual would enter into a quota share reinsurance agreement under which Donegal Mutual would assume up to 100% of Southern Mutual's currently in force and future business, and Donegal Mutual would include such business in its pooling agreement with Atlantic States Insurance Company, a subsidiary of Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB);
- Donegal Mutual would purchase a surplus note of Southern Mutual in the principal amount of \$2,500,000;
- Donegal Mutual would license to Southern Mutual Donegal Mutual's WritePro(R) and WriteBiz(R) technology, which permits agents to underwrite applications and issue policies automatically through the internet and enhances ease of use;
- Southern Mutual will retain its mutual status, its Georgia domicile and its current office location with the same management, employees and agents;
- Donegal Mutual would assist Southern Mutual in offering additional insurance products and coverages; and
- Designees of Donegal Mutual would become a majority of the members of Southern Mutual's Board of Directors.

Closing of the affiliation is subject to a number of conditions, including approval by the Commissioner of Insurance of the State of Georgia. Donegal Mutual and Southern Mutual expect the transaction to close in the fourth quarter of 2009.

Donegal Mutual is a member of the Donegal Insurance Group, which had \$1.0 billion in assets and \$489 million in surplus at June 30, 2009. The Donegal Insurance Group has net written premium of \$452.2 million in 2008. The Donegal Insurance Group has a group A.M. Best rating of A (Excellent).

Southern Mutual is a mutual fire insurance company that was formed in 1847. Its marketing territory is Georgia and South Carolina. Southern Mutual had net written premiums of approximately \$12 million in 2008. Donegal Mutual believes the affiliation will enable both Donegal Mutual and Southern Mutual to increase their personal lines business in Georgia and South Carolina and begin to offer commercial lines.

Donald H. Nikolaus said, "The Donegal Insurance Group is pleased to undertake an affiliation with Southern Mutual to increase our business in Georgia and South Carolina. We look forward to a long and successful relationship with Southern Mutual's management, employees and agents."

Allen R. Green remarked, "We believe our policyholders, our employees and our agents will benefit from our affiliation with Donegal Mutual. The affiliation will allow us to maintain our mutual status and Georgia domicile and at the same time provide us with greater financial strength and current technology that will enhance our products and service to our policyholders and agents."

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 Chief Financial Officer
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