

**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 20, 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 July 20, 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 July 20, 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)

July 20, 2007

/s/ JEFFREY D. MILLER

(Date)

Jeffrey D. Miller
Senior Vice President and Chief Financial Officer

Exhibit Index

99.1 Press release dated July 20, 2007

Donegal Group Inc. Announces Second Quarter Earnings

MARIETTA, Penn., July 20, 2007 (PRIME NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported that its net income for the second quarter ended June 30, 2007 increased 5.5% to \$10,780,956, or \$.43 per share of Class A common stock on a diluted basis, compared to \$10,220,583, or \$.41 per share of Class A common stock on a diluted basis, for the second quarter of 2006. Net income for the second quarter of 2007 represented a 96.4% increase over net income for the first quarter of 2007 when the Company's insurance subsidiaries experienced increased claim activity attributable to harsh winter weather.

Revenues for the second quarter of 2007 were \$84,605,176, an increase of 3.4% over the second quarter of 2006, with net premiums earned of \$77,574,827, a 3.3% increase over the year-earlier period. Net premiums written for the second quarter of 2007 were \$83,059,396, representing a 3.7% increase over net premiums written of \$80,090,017 for the second quarter of 2006, with the increase primarily attributable to 5.8% growth within the personal lines of business written by the Company's insurance subsidiaries.

The Company's second quarter net income reflected excellent underwriting results, as indicated by a combined ratio of 88.0%, matching the record quarterly low combined ratio posted for the second quarter of 2006. The Company's loss ratio for the second quarter of 2007 was a record quarterly low 52.3%, compared to the loss ratio of 54.3% posted for the second quarter of 2006. Net losses incurred during the quarter benefited from favorable weather conditions in the Company's operating regions and a continuation of favorable prior accident year reserve development resulting from the settlements of open claims.

The Company's expense ratio increased to 35.4% for the second quarter of 2007, compared to 33.5% for the second quarter of 2006, reflecting additional expenses incurred for the production of growth in new business and increased underwriting-based incentive costs. The increase in underwriting-based incentive costs was directly related to the significant improvement in underwriting results during the second quarter of 2007 compared to those posted in the first quarter of 2007.

Net investment income increased to \$5,562,185 for the second quarter of 2007, an increase of 10.0% over the \$5,054,284 reported for the second quarter of 2006. Continuing improvements in the interest rate environment contributed to an increase in the Company's average pre-tax investment yield. The Company's continuing shift in asset mix to tax-exempt municipal bonds allowed the Company to lower its effective tax rate in the second quarter of 2007 to 28.6%, compared to 29.3% in the second quarter of 2006.

Net income for the six months ended June 30, 2007 was \$16,270,894, or \$.65 per share of Class A common stock on a diluted basis, compared to \$19,350,770, or \$.77 per share of Class A common stock on a diluted basis, reported for the six months ended June 30, 2006. The Company's combined ratio for the first six months of 2007 was 93.2%, compared to the combined ratio of 89.2% for the comparable period in 2006. The Company's loss ratio was 59.1% for the first six months of 2007, compared to 56.2% reported for the first six months of 2006, with the increase reflecting increased weather-related claim activity in the first quarter of 2007.

"We are pleased to report a significant improvement in our year-to-date results, with net income in the second quarter of 2007 representing the second highest quarterly amount in our history. We are also pleased to report continuing growth in our personal lines premium writings, and we continue to pursue opportunities for profitable growth despite competitive market conditions," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

The favorable operating results for the quarter contributed to an increase in the Company's book value to \$13.17 per common share at June 30, 2007, representing an increase of 11.2% over the Company's book value of \$11.85 per common share at June 30, 2006.

The Company's board of directors yesterday approved a quarterly cash dividend payable August 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 August 1, 2007.

We have two classes of common stock, which we refer to as Class A common stock and Class B common stock. With respect to dividend rights, our Class A common stock is entitled to cash dividends that are at least 10% higher than those declared and paid on our Class B common stock. Accordingly, we use 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 six months ended June 30, 2007 and 2006 are presented in the tables that follow.

The Company will hold a conference call and webcast on Friday, July 20, 2007, beginning at 11:00 A.M. Eastern Daylight Time. You may participate in the conference call by calling 1-800-510-9834 (Passcode 60785061) 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 28, 2007 by calling 1-888-286-8010 (Passcode 39436649).

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 June 30	
	2007	2006
Net premiums earned	\$ 77,574,827	\$ 75,061,105
Investment income, net of investment expenses	5,562,185	5,054,284
Net realized investment gains	60,645	407,248
Total revenues	84,605,176	81,860,487
Net income	\$ 10,780,956	\$ 10,220,583
Net income per common share:		
Class A common stock - basic	\$ 0.44	\$ 0.42
Class A common stock - diluted	\$ 0.43	\$ 0.41
Class B common stock - basic and diluted	\$ 0.39	\$ 0.38

	Six Months Ended June 30	
	2007	2006
Net premiums earned	\$ 154,272,646	\$ 149,574,954
Investment income, net of investment expenses	11,066,244	10,038,812
Net realized investment gains	165,430	882,047
Total revenues	168,287,192	163,143,382
Net income	\$ 16,270,894	\$ 19,350,770
Net income per common share:		
Class A common stock - basic	\$ 0.66	\$ 0.80
Class A common stock - diluted	\$ 0.65	\$ 0.77
Class B common stock - basic and diluted	\$ 0.59	\$ 0.72

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

	Quarter Ended June 30	
	2007	2006
Net premiums earned	\$ 77,575	\$ 75,061
Investment income, net of investment expenses	5,562	5,054
Net realized investment gains	61	407
Lease income	262	242
Installment payment fees	1,145	1,096
Total revenues	84,605	81,860
Net losses and loss expenses	40,549	40,784
Amortization of deferred policy acquisition costs	12,532	11,982
Other underwriting expenses	14,926	13,115
Other expenses	521	671

Policyholder dividends	259	150
Interest	718	692
	-----	-----
Total expenses	69,505	67,394
	-----	-----
Income before income tax expense	15,100	14,466
Income tax expense	4,319	4,245
	-----	-----
Net income	\$ 10,781	\$ 10,221
	=====	=====
Net income per common share:		
Class A common stock - basic	\$ 0.44	\$ 0.42
	-----	-----
Class A common stock - diluted	\$ 0.43	\$ 0.41
	-----	-----
Class B common stock - basic and diluted	\$ 0.39	\$ 0.38
	-----	-----
Supplementary Financial Analysts' Data		
Weighted-average number of shares outstanding:		
Class A common stock - basic	19,684,922	19,325,683
	-----	-----
Class A common stock - diluted	19,936,058	19,973,976
	-----	-----
Class B common stock - basic and diluted	5,576,775	5,576,775
	-----	-----
Net written premiums	\$ 83,060	\$ 80,091
	-----	-----
Book value per common share at end of period	\$ 13.17	\$ 11.85
	-----	-----

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

	Six Months Ended June 30	
	2007	2006
	-----	-----
Net premiums earned	\$ 154,273	\$ 149,575
Investment income, net of investment expenses	11,066	10,039
Net realized investment gains	165	882
Lease income	523	484
Installment payment fees	2,260	2,163
	-----	-----
Total revenues	168,287	163,143
	-----	-----
Net losses and loss expenses	91,144	84,072
Amortization of deferred policy acquisition costs	24,950	23,868
Other underwriting expenses	27,111	25,017
Other expenses	1,013	1,064
Policyholder dividends	507	522
Interest	1,427	1,336
	-----	-----
Total expenses	146,152	135,879
	-----	-----
Income before income tax expense	22,135	27,264
Income tax expense	5,864	7,913
	-----	-----
Net income	\$ 16,271	\$ 19,351
	=====	=====
Net income per common share:		
Class A common stock - basic	\$ 0.66	\$ 0.80
	-----	-----
Class A common stock - diluted	\$ 0.65	\$ 0.77
	-----	-----
Class B common stock - basic and diluted	\$ 0.59	\$ 0.72
	-----	-----

Supplementary Financial Analysts'
Data

Weighted-average number of shares
outstanding:

Class A common stock - basic	19,698,486	19,196,186
	-----	-----
Class A common stock - diluted	20,026,067	19,866,317
	-----	-----
Class B common stock - basic and diluted	5,576,775	5,576,775
	-----	-----
Net written premiums	\$ 162,979	\$ 156,269
	-----	-----
Book value per common share at end of period	\$ 13.17	\$ 11.85
	-----	-----

Donegal Group Inc.
Consolidated Balance Sheets
(in thousands)

	June 30, 2007	December 31, 2006
	-----	-----
	(unaudited)	
ASSETS:		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 163,074	\$ 169,178
Available for sale, at fair value	337,524	331,670
Equity securities, at fair value	45,265	40,542
Investments in affiliates	8,322	8,463
Short-term investments, at cost, which approximates fair value	35,293	41,485
	-----	-----
Total investments	589,478	591,338
Cash	5,782	532
Premiums receivable	54,077	49,948
Reinsurance receivable	92,495	97,677
Accrued investment income	5,906	5,769
Deferred policy acquisition costs	26,004	24,739
Prepaid reinsurance premiums	49,512	44,377
Property and equipment, net	5,144	5,146
Deferred tax asset, net	10,344	9,086
Other assets	2,612	3,086
	-----	-----
Total assets	\$ 841,354	\$ 831,698
	=====	=====

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

	June 30, 2007	December 31, 2006
	-----	-----
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Losses and loss expenses	\$ 251,229	\$ 259,022
Unearned premiums	210,744	196,903
Accrued expenses	10,633	12,754
Subordinated debentures	30,929	30,929
Due to affiliate	112	1,567
Other liabilities	5,773	9,721
	-----	-----
Total liabilities	509,420	510,896
	-----	-----
Stockholders' equity:		
Preferred stock	--	--
Class A common stock	199	198
Class B common stock	56	56
Additional paid-in capital	153,592	152,392
Accumulated other comprehensive		

income	2,618	5,061
Retained earnings	178,436	163,987
Treasury stock, at cost	(2,967)	(892)
	-----	-----
Total stockholders' equity	331,934	320,802
	-----	-----
Total liabilities and stockholders' equity	\$ 841,354	\$ 831,698
	=====	=====

CONTACT: Donegal Group Inc.
Jeffrey D. Miller
Senior Vice President & Chief Financial Officer
(717) 426-1931
Fax (717) 426-7009