

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**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 23, 2009**

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**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**

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(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))

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**Item 2.02. Results of Operations and Financial Condition.**

On October 23, 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 October 23, 2009

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**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.**

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(Registrant)

**October 23, 2009**

/s/ **JEFFREY D. MILLER**

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(Date)

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Jeffrey D. Miller  
*Senior Vice President and Chief Financial Officer*

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## **Exhibit Index**

99.1 Press release dated October 23, 2009

## Donegal Group Inc. Announces Third Quarter Earnings

MARIETTA, Pa., Oct. 23, 2009 (GLOBE NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported that its net income for the quarter ended September 30, 2009 was \$6,744,851, or \$.27 per share of Class A common stock on a diluted basis, compared to \$6,270,421, or \$.25 per share of Class A common stock on a diluted basis, for the third quarter of 2008.

Revenues for the third quarter of 2009 were \$94,876,087, an increase of 2.3% over revenues for the third quarter of 2008, with net premiums earned of \$87,997,723, a decrease of \$173,034 from net premiums earned for the year-earlier period. Net premiums written for the third quarter of 2009 were \$93,623,928, representing a 1.6% increase over net premiums written of \$92,177,442 for the third quarter of 2008.

The Company's combined ratio was 98.9% for the third quarter of 2009, including the impact of \$2.4 million of weather-related losses in the Company's Midwest operating region, which added 2.7 points to the third quarter combined ratio. The Company's combined ratio was 95.5% for the third quarter of 2008.

The Company's expense ratio decreased to 32.0% for the third quarter of 2009, compared to 33.0% for the third quarter of 2008, reflecting lower expenses incurred for underwriting-based incentive costs and the benefits of expense savings initiatives commenced in the fourth quarter of 2008.

Net investment income was \$5,107,356 for the third quarter of 2009, compared to \$5,801,750 reported for the third quarter of 2008. The impact of lower short-term interest rates during the third quarter of 2009 offset investment income attributable to an increase in average invested assets compared to the year-earlier period. The Company had no other-than-temporary impairments in its investment portfolio in the third quarter of 2009.

Net income for the nine months ended September 30, 2009 was \$11,302,279, or \$.45 per share of Class A common stock on a diluted basis, compared to \$19,147,681, or \$.76 per share of Class A common stock on a diluted basis, for the nine months ended September 30, 2008. The Company's combined ratio for the first nine months of 2009 was 102.2%, compared to a combined ratio of 96.9% for the comparable period in 2008. The Company's loss ratio was 70.7% for the first nine months of 2009, compared to 64.0% for the first nine months of 2008, with the increase primarily reflecting increased fire and weather-related claim activity in the first half of 2009 as well as increased prior accident year reserve development in the first nine months of 2009 compared to the year-earlier period.

The Company's total stockholders' equity, or book value, increased 7.7% to \$391,529,722, a per common share amount of \$15.36, at September 30, 2009, compared to \$363,583,865, a per common share amount of \$14.29, at December 31, 2008. The Company attributes this increase in book value primarily to \$20.1 million of net after-tax unrealized gains in the fair value of its available-for-sale fixed maturity investments during the first nine months of 2009.

"We are pleased to report an increase in our quarterly net income relative to the first two quarters of the year. We are also pleased to report a significant increase in our book value in the current quarter and year to date, continuing the favorable trend of book value growth we achieved in 2008. Donegal Group is experiencing positive momentum and is well positioned to capitalize on opportunities that might arise in this challenging environment," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

On October 15, 2009, the Company's board of directors approved a quarterly cash dividend payable November 16, 2009 of \$.1125 per share of Class A common stock and \$.10 per share of Class B common stock to stockholders of record as of the close of business on November 2, 2009.

The Company will hold a conference call and webcast on Friday, October 23, 2009, beginning at 11:00 A.M. Eastern 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](http://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), seven Southeastern states (Alabama, Georgia, North Carolina, South Carolina, Tennessee, Virginia and West Virginia) and six Midwestern states (Iowa, Nebraska, Ohio, Oklahoma, South Dakota and Wisconsin).

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, conditions resulting from the ongoing recession in the United States, 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 the other risks that the Company describes from time to time in its 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	
	2009	2008
Net premiums earned	\$ 87,997,723	\$ 88,170,757
Investment income, net of investment expenses	5,107,356	5,801,750
Net realized investment gains (losses)	189,230	(2,811,264)
Total revenues	94,876,087	92,708,575
Net income	\$ 6,744,851	\$ 6,270,421
Net income per common share:		
Class A common stock - basic	\$ 0.27	\$ 0.25
Class A common stock - diluted	\$ 0.27	\$ 0.25
Class B common stock - basic and diluted	\$ 0.24	\$ 0.23

	Nine Months Ended September 30	
	2009	2008
Net premiums earned	\$263,887,611	\$257,507,718
Investment income, net of investment expenses	15,731,106	17,287,476
Net realized investment gains (losses)	893,225	(2,789,535)
Total revenues	285,158,430	276,471,625
Net income	\$ 11,302,279	\$ 19,147,681
Net income per common share:		
Class A common stock - basic	\$ 0.45	\$ 0.77
Class A common stock - diluted	\$ 0.45	\$ 0.76
Class B common stock - basic and diluted	\$ 0.41	\$ 0.69

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

	Quarter Ended September 30	
	2009	2008
Net premiums earned	\$ 87,998	\$ 88,171
Investment income, net of investment expenses	5,107	5,801
Net realized investment gains (losses)	189	(2,811)
Lease income	233	231
Installment payment fees	1,349	1,316
Total revenues	94,876	92,708
Net losses and loss expenses	58,609	54,700
Amortization of deferred policy acquisition costs	14,791	14,818
Other underwriting expenses	13,345	14,241
Other expenses	329	315
Policyholder dividends	252	437
Interest	185	399
Total expenses	87,511	84,910

Income before income tax expense	7,365	7,798
Income tax expense	620	1,528
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Net income	\$ 6,745	\$ 6,270
	=====	=====
Net income per common share:		
Class A common stock - basic	\$ 0.27	\$ 0.25
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Class A common stock - diluted	\$ 0.27	\$ 0.25
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Class B common stock - basic and diluted	\$ 0.24	\$ 0.23
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Supplementary Financial Analysts' Data		
Weighted-average number of shares outstanding:		
Class A common stock - basic	19,905,174	19,882,405
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Class A common stock - diluted	19,905,174	20,015,192
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Class B common stock - basic and diluted	5,576,775	5,576,775
	-----	-----
Net written premiums	\$ 93,624	\$ 92,177
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Book value per common share at end of period	\$ 15.36	\$ 13.89
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Donegal Group Inc.  
Consolidated Statements of Income  
(unaudited; in thousands, except share data)

	Nine Months Ended September 30	
	2009	2008
	-----	-----
Net premiums earned	\$ 263,888	\$ 257,508
Investment income, net of investment expenses	15,731	17,288
Net realized investment gains (losses)	893	(2,790)
Lease income	689	705
Installment payment fees	3,957	3,761
	-----	-----
Total revenues	285,158	276,472
	-----	-----
Net losses and loss expenses	186,461	164,849
Amortization of deferred policy acquisition costs	44,158	43,109
Other underwriting expenses	38,548	40,712
Other expenses	1,104	1,211
Policyholder dividends	587	925
Interest	1,589	1,546
	-----	-----
Total expenses	272,447	252,352
	-----	-----
Income before income tax expense	12,711	24,120
Income tax expense	1,409	4,972
	-----	-----
Net income	\$ 11,302	\$ 19,148
	=====	=====
Net income per common share:		
Class A common stock - basic	\$ 0.45	\$ 0.77
	-----	-----
Class A common stock - diluted	\$ 0.45	\$ 0.76
	-----	-----
Class B common stock - basic and diluted	\$ 0.41	\$ 0.69
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Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:		
Class A common stock - basic	19,895,840	19,849,971
Class A common stock - diluted	19,895,840	20,026,429
Class B common stock - basic and diluted	5,576,775	5,576,775
Net written premiums	\$ 275,208	\$ 286,341
Book value per common share at end of period	\$ 15.36	\$ 13.89

Donegal Group Inc.  
Consolidated Balance Sheets  
(in thousands)

	September 30, 2009	December 31, 2008
	----- (unaudited)	-----
ASSETS		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 78,540	\$ 99,878
Available for sale, at fair value	527,576	445,816
Equity securities, at fair value	8,416	5,895
Investments in affiliates	8,946	8,594
Short-term investments, at cost	39,849	71,953
	-----	-----
Total investments	663,327	632,136
Cash	8,817	1,831
Premiums receivable	63,509	55,337
Reinsurance receivable	85,200	79,953
Accrued investment income	6,317	6,656
Deferred policy acquisition costs	31,784	29,541
Prepaid reinsurance premiums	58,261	51,436
Property and equipment, net	6,725	6,687
Deferred tax asset, net	--	10,995
Other assets	2,502	5,537
	-----	-----
Total assets	\$ 926,442	\$ 880,109
	=====	=====

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

	September 30, 2009	December 31, 2008
	----- (unaudited)	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Losses and loss expenses	\$ 251,032	\$ 239,809
Unearned premiums	247,159	229,014
Accrued expenses	10,663	14,150
Deferred tax liability, net	518	--
Subordinated debentures	15,465	15,465
Due to affiliate	802	3,148
Accounts payable - securities	1,503	1,821
Other liabilities	7,770	13,118
	-----	-----
Total liabilities	534,912	516,525
	-----	-----
Stockholders' equity:		
Preferred stock	--	--
Class A common stock	205	205
Class B common stock	56	56
Additional paid-in capital	164,134	163,137
Accumulated other comprehensive income	23,218	1,714
Retained earnings	212,826	207,182
Treasury stock, at cost	(8,909)	(8,710)
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Total stockholders' equity	391,530	363,584
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Total liabilities and stockholders' equity	\$ 926,442	\$ 880,109
	=====	=====

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