

**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) **April 16, 2008**

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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 April 16, 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 April 16, 2008

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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)

**April 16, 2008**

**/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 April 16, 2008

## Donegal Group Inc. Announces First Quarter Earnings

MARIETTA, Pa., April 16, 2008 (PRIME NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported net income for the first quarter ended March 31, 2008.

Net income for the first quarter of 2008 increased 22.5% to \$6,724,983, or \$.27 per share of Class A common stock on a diluted basis, over the \$5,489,938, or \$.22 per share of Class A common stock on a diluted basis, reported for the first quarter of 2007. The Company achieved these results primarily through increased net premiums earned as well as an increase in net realized investment gains, which were partially offset by higher losses and loss expenses from claim activity attributable to active winter weather patterns in the Company's operating areas.

Revenues for the first quarter of 2008 were \$89,792,103, an increase of 7.3% over the year earlier period, with net premiums earned of \$82,007,766, representing a 6.9% increase over the first quarter of 2007. Net premiums written in the first quarter of 2008 grew by 24.7% to \$99,674,856, including 17.1% growth due to a non-recurring \$13.6 million transfer of unearned premiums pursuant to the previously announced change in the pooling agreement between Atlantic States Insurance Company and Donegal Mutual Insurance Company effective March 1, 2008. Net premiums written and earned in the 2008 period also reflected the impact of the increased pooling allocation of approximately \$2.5 million for the month of March and benefited from the renewal of the Company's 2008 reinsurance program at lower rates compared to 2007. The lower reinsurance rates were largely due to the Company's decision to increase its per loss retention from \$400,000 to \$600,000 effective January 1, 2008.

Net investment income increased to \$5,691,741 for the first quarter of 2008, an increase of 3.4% over the \$5,504,059 reported for the first quarter of 2007. Income attributable to an increase in average invested assets during the first quarter of 2008 was offset by the impact of lower short-term interest rates compared to the year earlier period. The Company has continued to increase its investment in tax-exempt municipal bonds during the first quarter of 2008 to obtain more favorable after-tax yields.

The Company's combined ratio was 97.5% for the first quarter of 2008, compared to 98.4% for the first quarter of 2007. The improvement in the combined ratio resulted from slight declines in both the loss and expense ratios, largely due to earned premium increases exceeding the related loss and expense increases for the periods. The Company's loss ratio for the first quarter of 2008 was 65.3%, generally consistent with the loss ratio of 66.0% posted for the first quarter of 2007. However, losses and loss expenses increased for the first quarter of 2008, as the Company experienced significant weather-related claim activity and increased severity in several casualty lines of business compared to the comparable period in 2007. The Company's expense ratio decreased to 31.9% for the first quarter of 2008, compared to 32.1% for the first quarter of 2007, with both periods reflecting reduced levels of underwriting-based incentive costs.

"Our first quarter results were impacted by a very active winter storm season, but we are pleased to report a solid increase in premium writings during the quarter, enhanced by the pooling change and reinsurance cost savings. Considering insurance market conditions and the weather challenges we faced during the quarter, we are pleased to report positive premium growth and underwriting profitability," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

The operating results for the first quarter of 2008 contributed to an increase in the Company's book value to \$14.02 per common share at March 31, 2008, compared to \$13.92 per common share at December 31, 2007.

The Company will hold a conference call and webcast on Wednesday, April 16, 2008, beginning at 11:00 A.M. Eastern Time. You may participate in the conference call by calling 1-800-798-2864 (Passcode 86081361) or listen via Internet by accessing the webcast link in the Investors area of the Company's web site at [www.donegalgroup.com](http://www.donegalgroup.com). An instant replay of the conference call will be available until April 23, 2008 by calling 1-888-286-8010 (Passcode 62225492).

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.

(unaudited)

	Quarter Ended March 31	
	2008	2007
Net premiums earned	\$ 82,007,766	\$ 76,697,819
Investment income, net of investment expenses	5,691,741	5,504,059
Net realized investment gains	695,356	104,785
Total revenues	89,792,103	83,682,016
Net income	\$ 6,724,983	\$ 5,489,938
Net income per common share:		
Class A common stock - basic	\$ 0.27	\$ 0.22
Class A common stock - diluted	\$ 0.27	\$ 0.22
Class B common stock - basic and diluted	\$ 0.25	\$ 0.20

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

	Quarter Ended March 31	
	2008	2007
Net premiums earned	\$ 82,008	\$ 76,698
Investment income, net of investment expenses	5,692	5,504
Net realized investment gains	695	105
Lease income	244	261
Installment payment fees	1,153	1,114
Total revenues	89,792	83,682
Net losses and loss expenses	53,530	50,595
Amortization of deferred policy acquisition costs	13,719	12,418
Other underwriting expenses	12,403	12,186
Other expenses	499	492
Policyholder dividends	270	248
Interest	613	709
Total expenses	81,034	76,648
Income before income tax expense	8,758	7,034
Income tax expense	2,033	1,545
Net income	\$ 6,725	\$ 5,489
Net income per common share:		
Class A common stock - basic	\$ 0.27	\$ 0.22
Class A common stock - diluted	\$ 0.27	\$ 0.22
Class B common stock - basic and diluted	\$ 0.25	\$ 0.20

Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:		
Class A common stock - basic	19,787,849	19,712,200
Class A common stock - diluted	19,930,680	20,116,225
Class B common stock - basic and diluted	5,576,775	5,576,775
Net written premiums	\$ 99,675	\$ 79,919

Book value per common share at end of

period	\$	14.02	\$	12.93
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Donegal Group Inc.  
Consolidated Balance Sheets  
(in thousands)

	March 31, 2008	December 31, 2007
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	(unaudited)	
<b>ASSETS</b>		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 134,113	\$ 154,290
Available for sale, at fair value	403,250	336,318
Equity securities, at fair value	32,268	36,361
Investments in affiliates	8,869	8,649
Short-term investments, at cost, which approximates fair value	51,994	70,252
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Total investments	630,494	605,870
Cash	3,951	4,289
Premiums receivable	55,933	51,038
Reinsurance receivable	76,871	78,897
Accrued investment income	5,526	5,875
Deferred policy acquisition costs	28,964	26,235
Prepaid reinsurance premiums	49,551	47,286
Property and equipment, net	5,772	5,608
Deferred tax asset, net	9,234	7,026
Due from affiliate	1,007	--
Other assets	1,322	1,972
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Total assets	\$ 868,625	\$ 834,096
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Donegal Group Inc.  
Consolidated Balance Sheets (continued)  
(in thousands)

	March 31, 2008	December 31, 2007
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	(unaudited)	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Losses and loss expenses	\$ 228,808	\$ 226,432
Unearned premiums	223,362	203,431
Accrued expenses	10,257	12,313
Subordinated debentures	30,929	30,929
Due to affiliate	--	242
Accounts payable - securities	12,728	1,820
Other liabilities	5,845	6,239
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Total liabilities	511,929	481,406
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Stockholders' equity:		
Preferred stock	--	--
Class A common stock	204	202
Class B common stock	56	56
Additional paid-in capital	159,178	156,851
Accumulated other comprehensive income	3,475	6,974
Retained earnings	200,491	193,807
Treasury stock, at cost	(6,708)	(5,200)
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Total stockholders' equity	356,696	352,690
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Total liabilities and stockholders' equity	\$ 868,625	\$ 834,096
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