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**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): June 19, 2012**

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**Donegal Group Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**0-15341**  
(Commission  
file number)

**23-02424711**  
(I.R.S. employer  
identification no.)

**1195 River Road, Marietta,  
Pennsylvania**  
(Address of principal executive offices)

**17547**  
(Zip code)

**Registrant's telephone number, including area code: 717-426-1931**

**Not Applicable**

(Former name or former address, if changed since last report)

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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 7.01. Regulation FD Disclosure.

Beginning on June 20, 2012, our officers will present to various investors and analysts the information attached to this Current Report on Form 8-K as Exhibit 99.1. We incorporate by reference the material information included in our presentation to those investors and analysts in Exhibit 99.1 in this Current Report on Form 8-K.

The information in this Current Report on Form 8-K, including the information in Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or incorporated by reference in any filing under the Securities Act of 1933, as amended, or in any filing under the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit No.</u>	<u>Exhibit Description</u>
99.1	Investor Presentation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller  
Jeffrey D. Miller, Senior Vice  
President and Chief Financial Officer

Date: June 19, 2012

# **Effective Consolidator of “Main Street” Property and Casualty Insurers**

Investor Meetings

June 2012



# Forward-Looking Statements

The Company bases all statements made in this presentation that are not historic facts on its current expectations. These statements are forward-looking in nature (as defined in the Private Securities Litigation Reform Act of 1995) and involve a number of risks and uncertainties. Actual results could vary materially. Among the factors that could cause actual results to vary materially include: the Company's ability to maintain profitable operations, the adequacy of the losses and loss expense reserves of the Company's insurance subsidiaries, business and economic conditions in the areas in which the Company operates, interest rates, severe weather events, competition from various insurance and other financial businesses, terrorism, the availability and cost of reinsurance, legal and judicial developments, changes in regulatory requirements, the Company's ability to integrate and manage successfully the companies it may acquire from time to time and other risks the Company describes from time to time in its filings with the Securities and Exchange Commission. You should not place undue reliance on any such forward-looking statements. The Company disclaims any obligation to update such statements or to announce publicly the results of any revisions that it may make to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. Reconciliations of non-GAAP data are available in the Investors section of the Company's website in news releases regarding quarterly financial results.

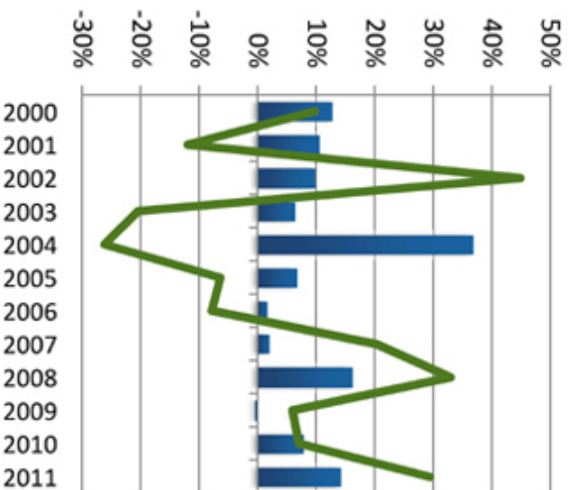
## Snapshot: NASDAQ:DGICA/DGICB

- Insurance holding company with controlling mutual affiliate
  - Class A dividend yield of 3.4%
  - Class A shares have 1/10 vote; Class B shares have one vote
- Regional standard market property and casualty insurance group
  - 22 Mid-Atlantic, Midwestern, New England and Southern states
  - Distribution force of approximately 2,500 independent agencies
  - \$454 million in 2011 net written premiums, up 16% from 2010 (*\$629 million in agency direct written premiums for insurance group\**)
  - Completed ten M&A transactions since 1988
- Rated A (Excellent) by A.M. Best
  - Debt-to-capital of approximately 19%
  - Premium-to-surplus ratio of approximately 1.3-to-1

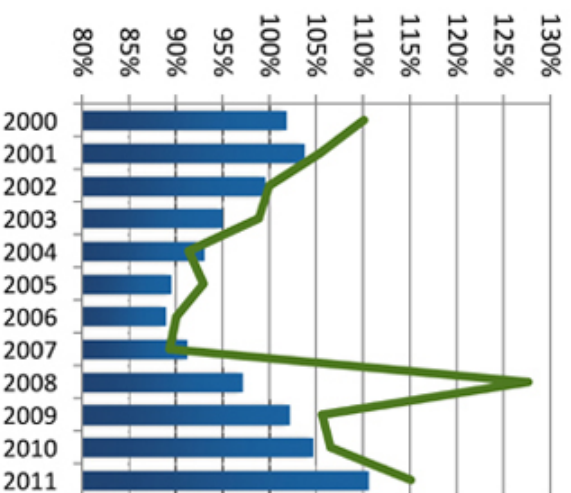
\* Includes Donegal Mutual Insurance Company and Southern Mutual Insurance Company

# Objective: Outperform Industry Service, Profitability and Book Value Growth

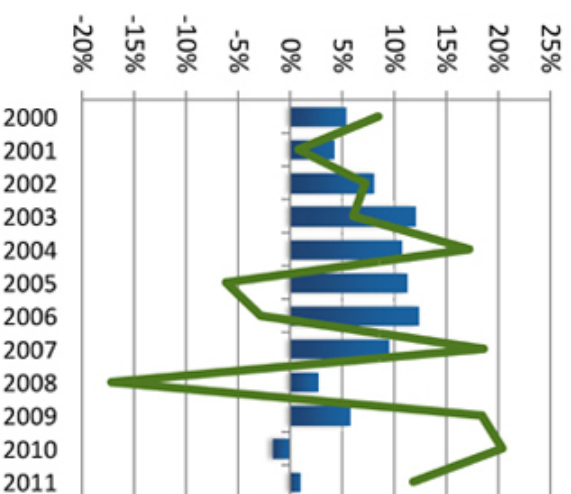
Change in Net Written Premiums



GAAP Combined Ratio



Change in Book Value



Donegal Group      SNL Small Cap U.S. Insurance Index (average)



## Q1 2012: Best Quarter in Three Years – Operating EPS\* of 26¢ vs. 8¢ in Q1 2011

- 8.1% increase in net written premiums
  - 5.7% from organic growth, including 11.2% commercial lines expansion with clear signs of improving pricing environment
  - 2.4% from change in external quota-share agreement for Michigan Insurance Company subsidiary
- Positive contribution from insurance operations
  - 96.9% statutory combined ratio, improved from 99.1% in Q1 2011
  - 99.4% GAAP combined ratio, improved from 103.8% in Q1 2011
  - Underwriting results reflected benefit of internal initiatives
  - Mild winter weather led to 2.7 percentage point decline in weather loss ratio
- Slight decline in investment income due to lower yields
- Book value per share at \$15.28 vs. \$15.01 at year-end 2011

*\* Reconciliations and definitions of non-GAAP data are available on the Investors area of our website*



# Achieve Objectives By Implementing Plan

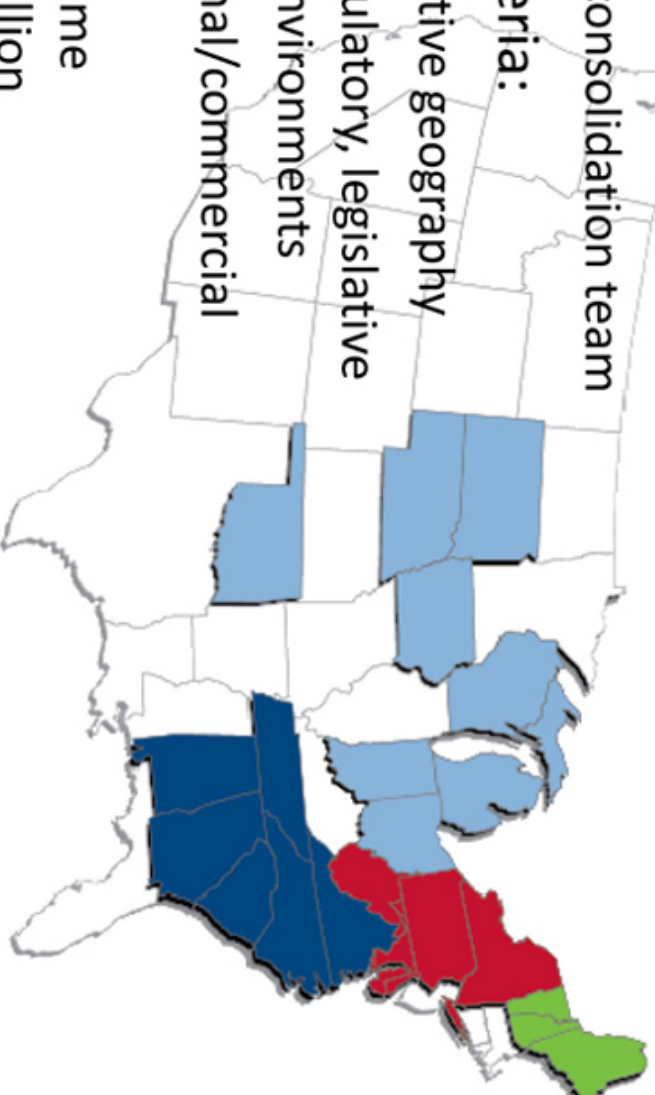
**Continue to pursue consolidation opportunities**

Complement with organic growth and diversification

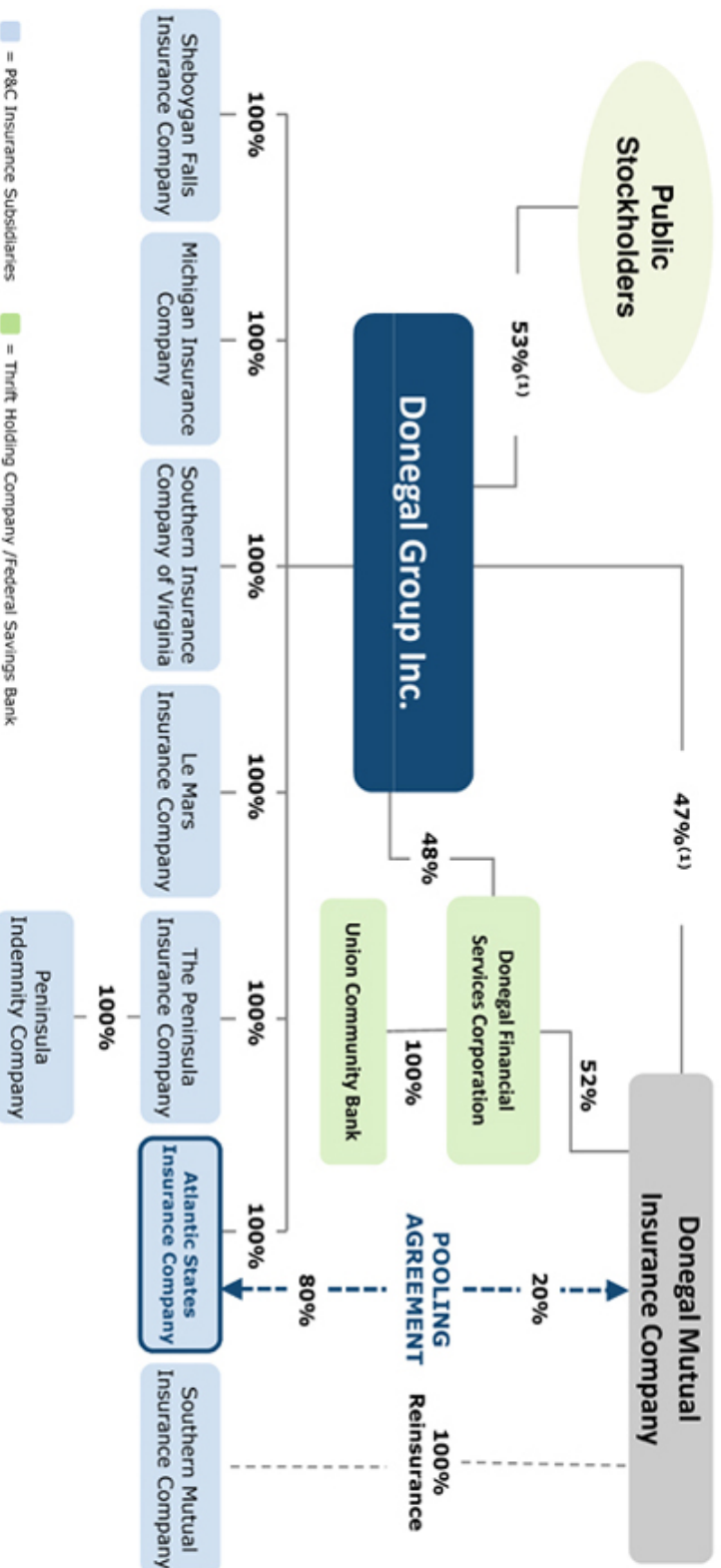
Translate into book value growth

## Regional Focus: Serving 22 States Through 2,500 Independent Agencies

- 10 M&A transactions since 1988
  - Experienced consolidation team
- Acquisition criteria:
  - Serving attractive geography
  - Favorable regulatory, legislative and judicial environments
  - Similar personal/commercial business mix
  - Premium volume up to \$100 million

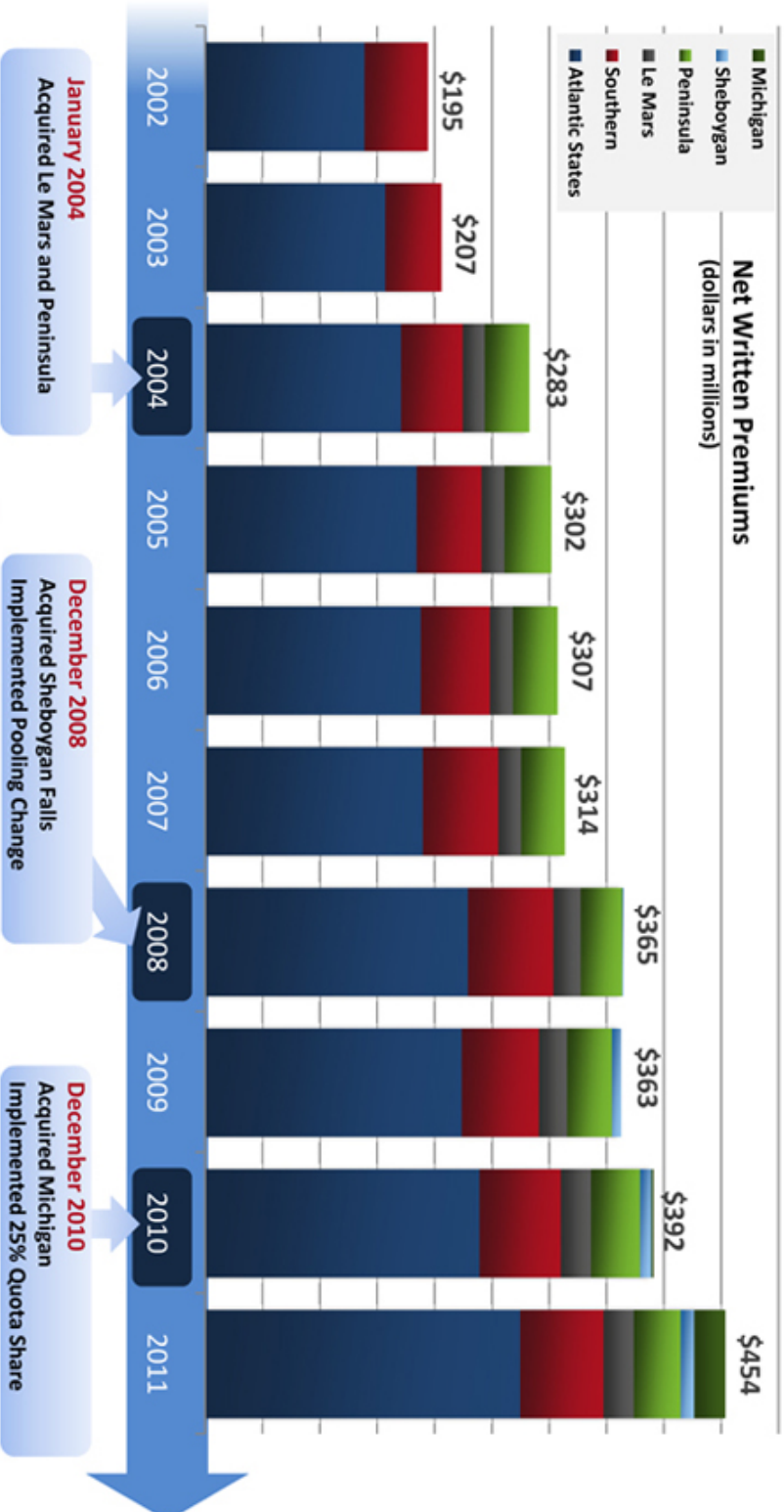


# Structure Provides Flexibility and Capacity



(1) Because of the different relative voting power of Class A common stock and Class B common stock, public stockholders hold approximately 34% of the aggregate voting power of the combined classes, and Donegal Mutual holds approximately 65% of the aggregate voting power of the combined classes.

# Acquisitions Have Made Meaningful Contribution to Long-term Growth



## **Southern Mutual Insurance Company**

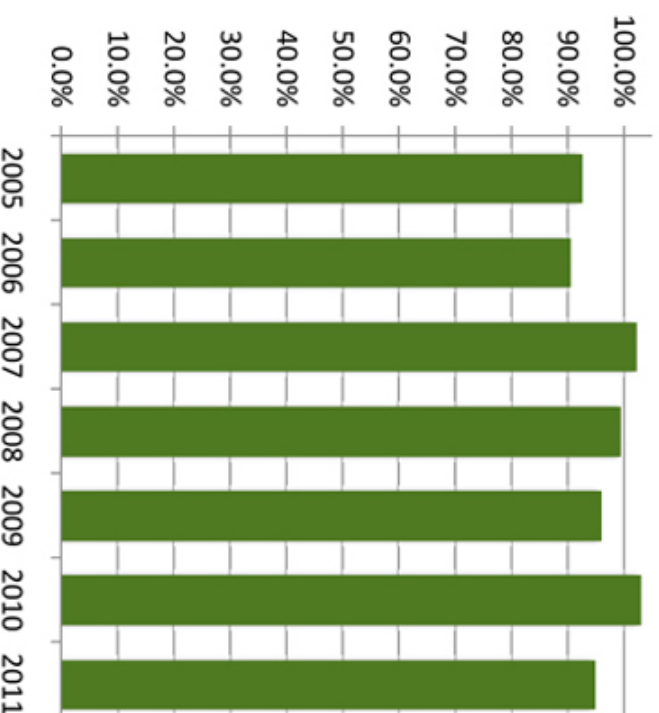
### ***Affiliation with Donegal Mutual – 2009***

- Donegal Mutual surplus note investment of \$2.5 million
- \$13.9 million in 2011 direct written premiums
- 100% quota share reinsurance with Donegal Mutual
  - SMIC cedes underwriting results to Donegal Mutual, which includes business in pooling agreement with Atlantic States
- Expanded market presence in Georgia and South Carolina
- Serves as model for mutual-to-mutual affiliations

# Michigan Insurance: Attractive Franchise Acquired in December 2010

- \$108 million in 2011 direct written premiums
  - Track record of profitability
- Provides entry into new state as part of Midwest expansion strategy
  - Capable management team
  - Quality agency distribution system
  - Diversified mix of business
- Michigan is 8<sup>th</sup> largest state based on number of households
- 2012 focus on completing system and product conversion

Michigan Insurance Company  
Combined Ratio (stat)



# Achieve Objectives By Implementing Plan

Continue to pursue consolidation opportunities

**Complement with organic growth and  
diversification**

Translate into book value growth

# Organic Growth Initiatives Emphasize Agent Relationships

- Achieve top three ranking within appointed agencies in “lines of business we serve”
  - Best-in-class customer service and technology
  - High-quality products
  - Consistent claims handling
  - Attractive compensation package
  - Semi-annual agency reviews
  - Maintain personal relationships as agencies grow and consolidate
- Selectively appoint quality agencies to expand distribution in key geographies
  - 2012 focus on strengthening relationships with agencies appointed in 2009-2011
  - Approximately 23% of new business in 2011 from those agencies
  - Targeting 135 appointments in 2012



# Build On Solid Technological Capabilities

## Personal Lines

- Donegal offers “National Company” quoting and underwriting capabilities



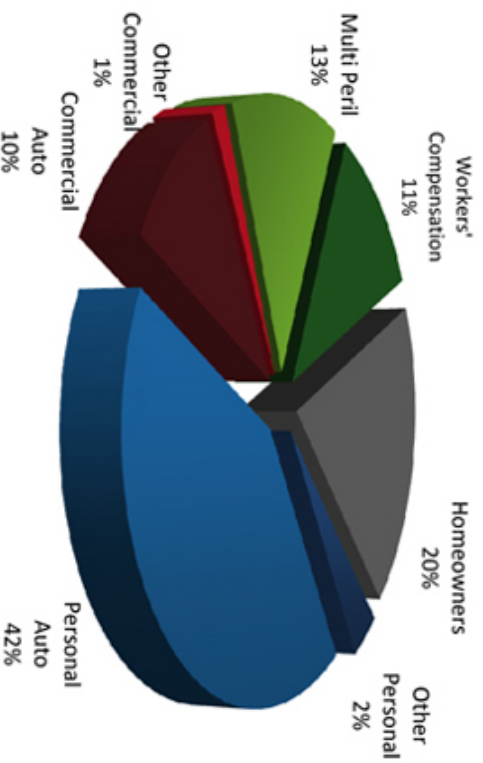
## Commercial Lines

- Donegal introducing web-based underwriting system with automated rating and underwriting



# Remain Focused on Underwriting to Best Leverage Rate Increases

## Net Written Premiums by Line of Business (December 31, 2011)

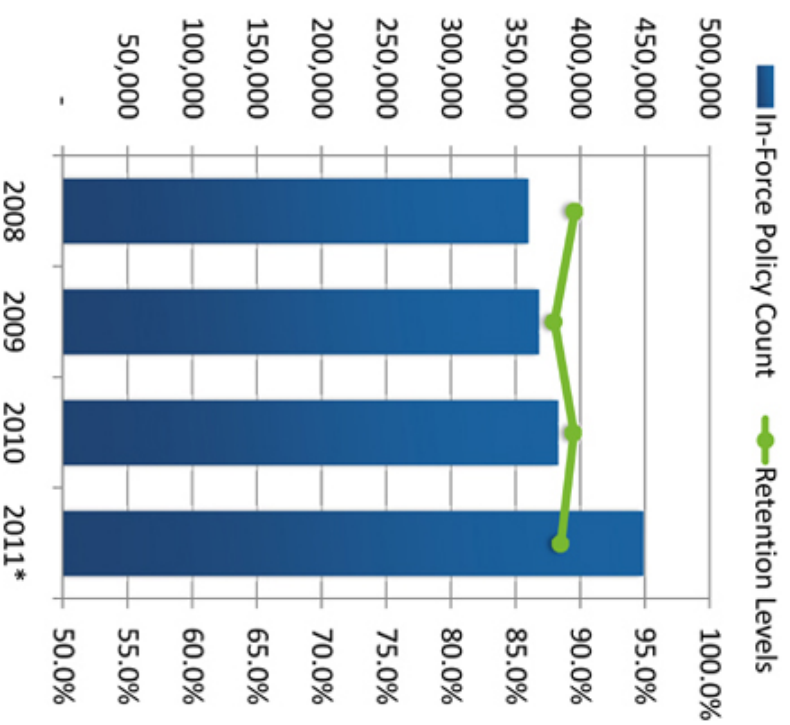


- Personal lines currently 64% of NWP
  - Multiple rate increases implemented in 2011 will increase premium in 2012
  - Minimal exposure growth other than MICO acquisition
- Commercial lines currently 36% of NWP
  - Commercial lines rates up approximately 3-8% in Q1 2012
  - Most of Q1 2012 increase due to exposure growth

# Employ Sophisticated Actuarial Tools

- Predictive modeling tools enhance our ability to appropriately price our products
  - Sophisticated predictive modeling algorithms for pricing/tiering risks
  - Territorial segmentation and analysis of environmental factors that affect loss experience
  - Exploring tools that allow consideration of vehicle-specific data in pricing
- External information sources allow us to gather competitor pricing information and to develop price optimization strategies
- Formal schedule of regular rate adequacy reviews for all lines of business, including GLM analysis on claim costs and agency performance
- Currently evaluating usage-based insurance tools

# Leverage Personal Lines

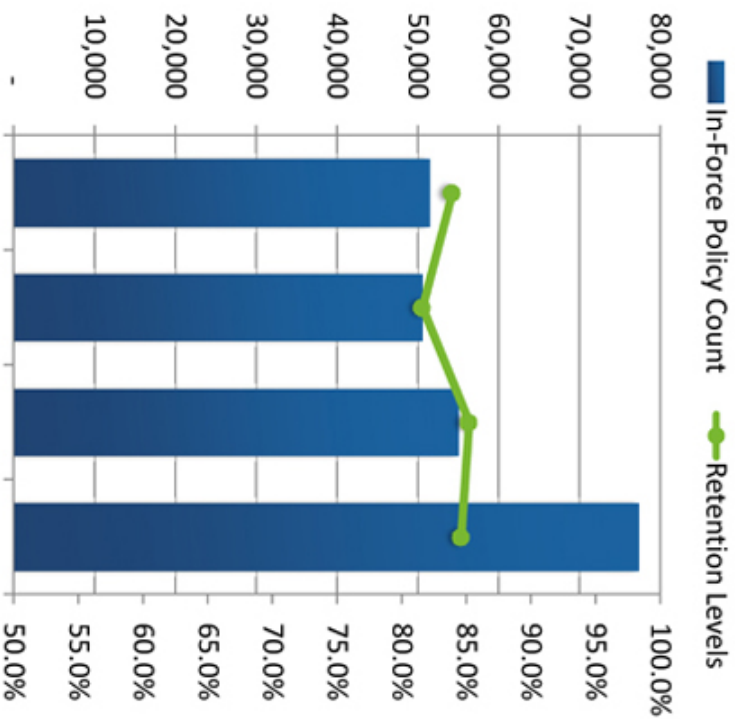


\* Includes Michigan policies acquired

- Acquired companies weighted to personal lines
- Focus on the preferred and superior risk markets
- Rate increases in virtually every jurisdiction
- New and renewal inspection and renewal re-tiering
- Seek geographic spread of risk
- Balance portfolio (auto/home)

# Build Commercial Lines

- Introduce core Donegal products in new regions
- Growth focus on accounts with premiums in \$10,000 to \$75,000 range
- Expand appetite within classes and lines already written
- Apply underwriting controls
  - Production underwriters
  - Large account reviews
  - Loss control processes
  - Coastal controls



\* Includes Michigan policies acquired

# Achieve Objectives By Implementing Plan

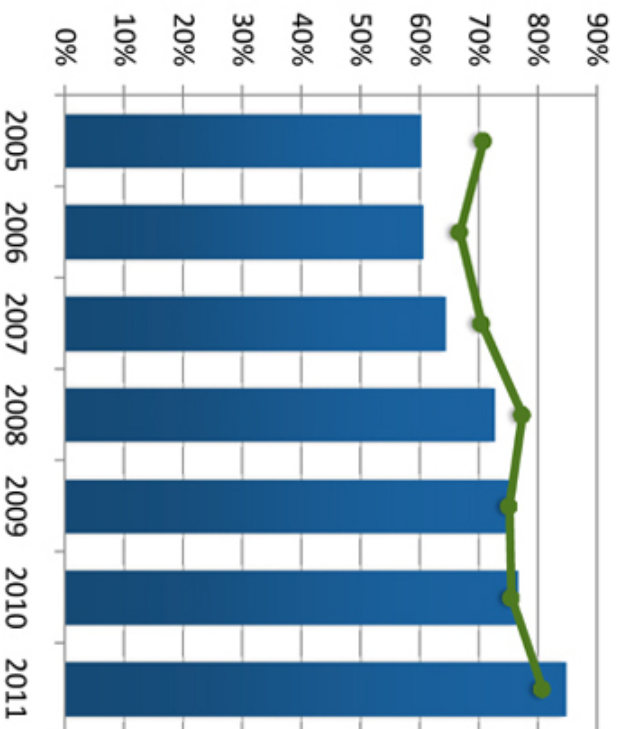
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Complement with organic growth and diversification

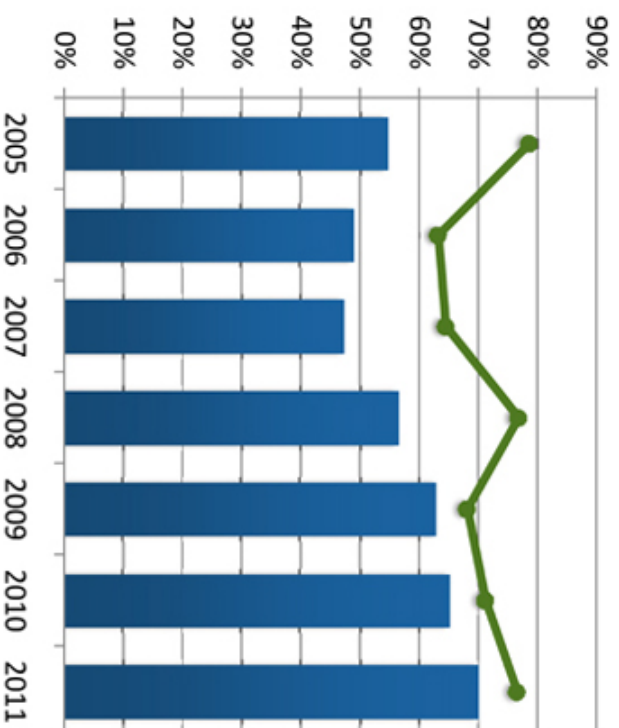
**Translate into book value growth**

# Build on Healthy Insurance Operations

## Personal Lines Loss Ratio



## Commercial Lines Loss Ratio



■ Donegal Insurance Group (SNL P&C Group)
 —●— SNL P&C Industry (Aggregate)

# Sustain Pricing Discipline and Conservative Underwriting

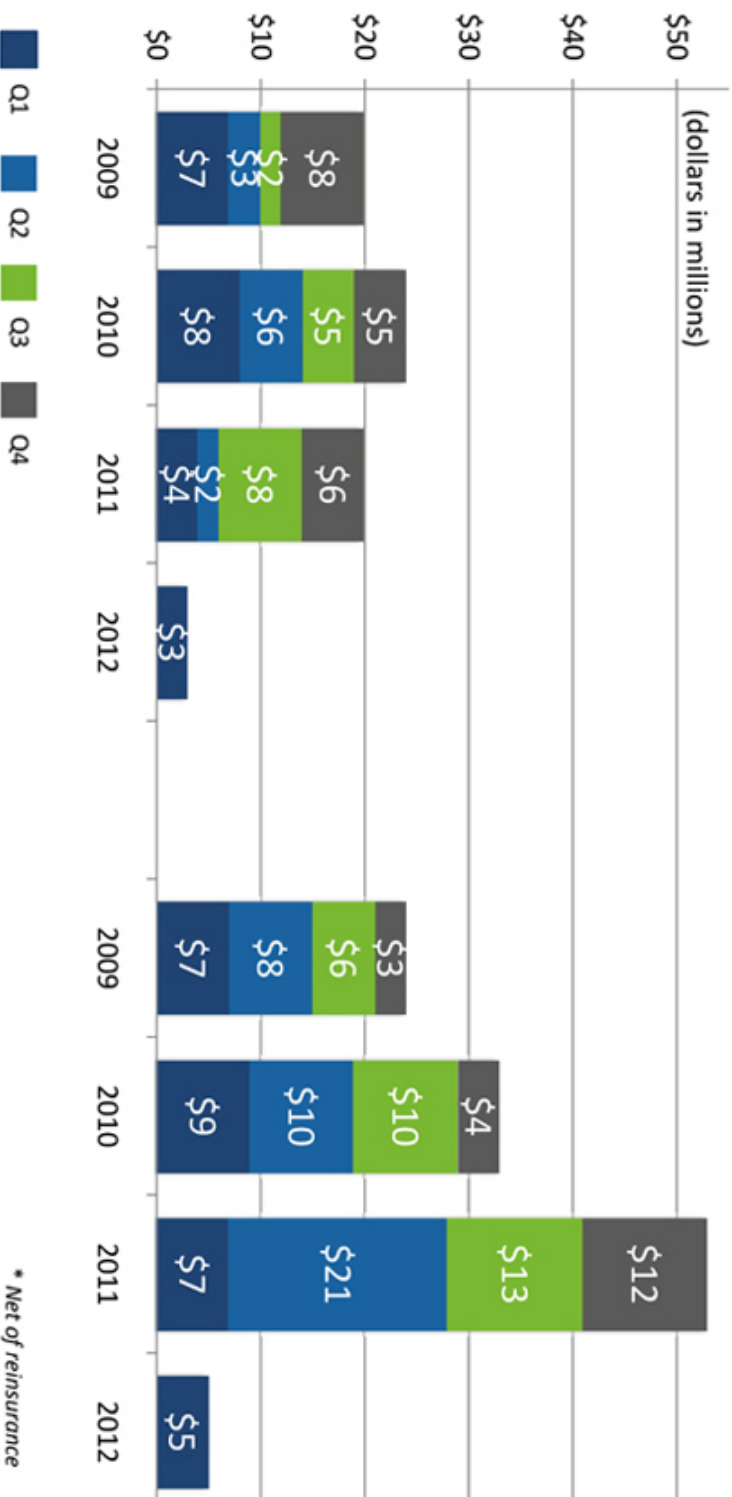
- Manage exposure to catastrophe/unusual weather events
  - Purchase reinsurance coverage in excess of a one-in-200 year event
- Link employee compensation directly to underwriting performance
- Focus on rate adequacy and pricing sophistication
- Leverage centralized oversight of regional underwriting
- Emphasize IT-based programs such as automated decision trees and predictive modeling
- Address HO results:
  - Higher deductibles
  - Re-inspection programs
  - Managing concentrations



# Address Changing Claims Patterns

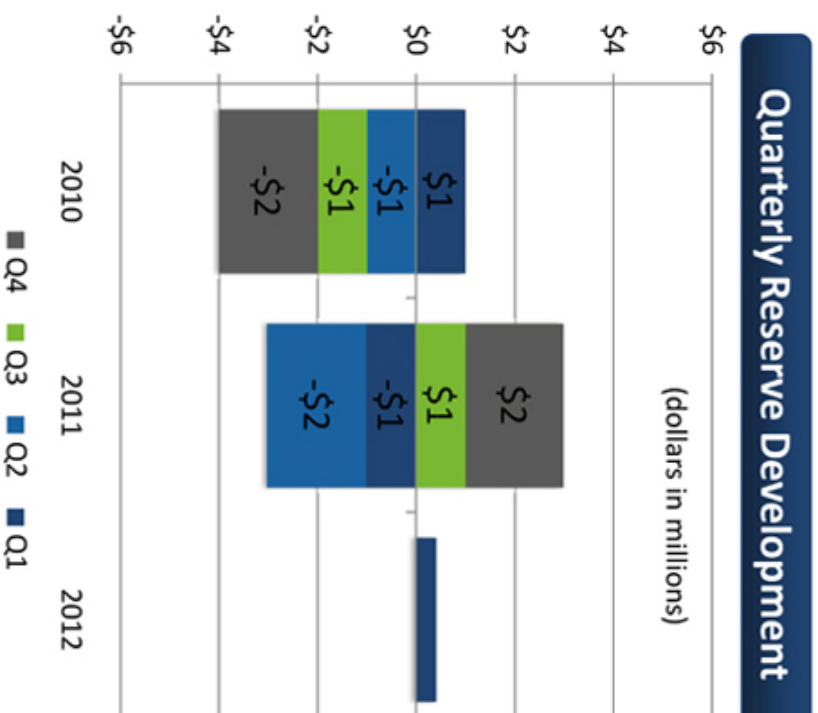
## Quarterly Fire Losses

## Quarterly Weather Losses \*



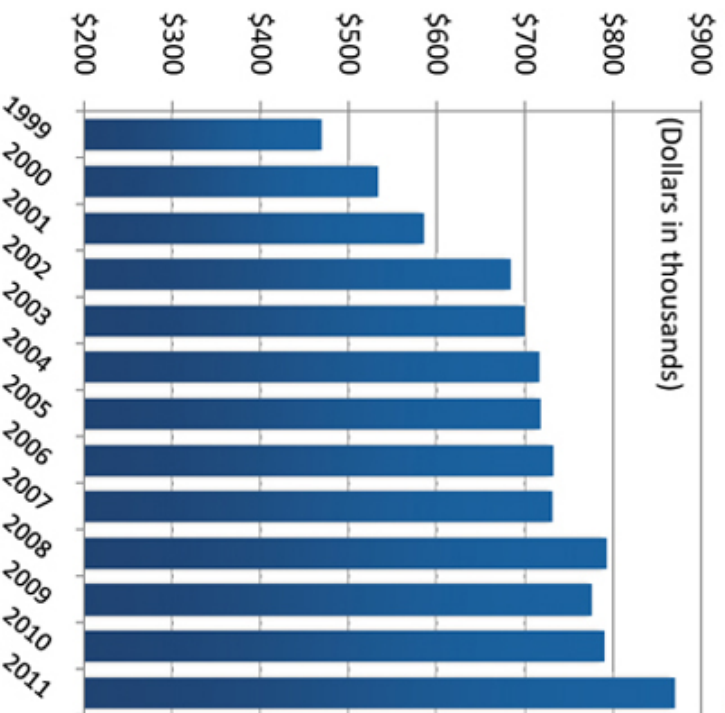
# Maintain Reserve Adequacy

- Reserves at \$243 million at year-end 2011 (net of reinsurance)
  - Midpoint of actuarial range
  - Reported redundant reserves in seven out of past 10 years
  - Conservative reinsurance program limits volatility
- Emphasis on faster claims settlements leading to higher paid losses but reduced longer-term exposures



# Drive Increased Efficiency with Automation

## Direct Premiums per Employee



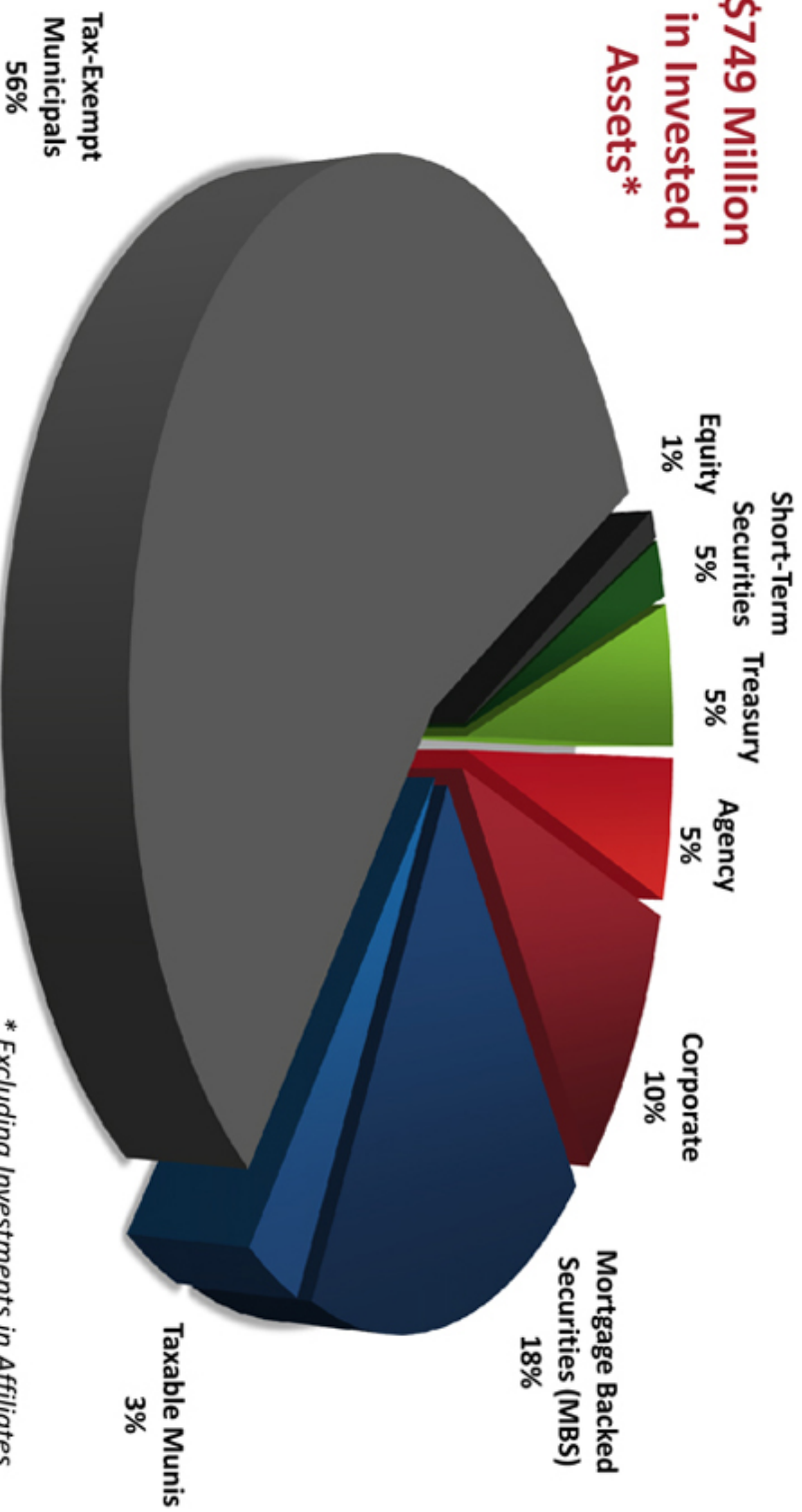
- Current infrastructure can support premium growth
- Premiums per employee rising due to underwriting systems
- Claims system allows more rapid and efficient claims handling
- Mutual structure provides opportunities for operational and expense synergies
- Expense ratio of 31.4% for 2011 vs. 32% for 2010 due to lower underwriting-based incentives

## Conservative Investment Approach

- \$782 million in invested assets at March 31, 2012
  - 93% of portfolio invested in fixed maturities
    - 58% tax-exempt securities
    - 42% taxable securities
- Emphasis on quality
  - 89% AA-rated or better
  - 98% A-rated or better
- No exposure to euro debt, sub-prime, CDO or Alt-A
- Effective duration = 4.8 years
- Tax equivalent yield = 3.6%
- Liquidity managed through laddering

# Maintain Conservative Investment Mix

**\$749 Million  
in Invested  
Assets\***



\* Excluding Investments in Affiliates  
(as of March 31, 2012)

## **Bank Investment = 4% of Invested Assets**

- Union Community Bank
  - Lancaster County (Donegal headquarters) bank
- Expanded to 13 branches via acquisition in May 2011
  - Added scale to banking operation
  - Enhanced value of historic bank investment
  - Increased potential for bottom-line contribution
- DGI owns approximately 48% of bank holding company
  - 52% owned by Donegal Mutual

## Union Community Bank is Financially Strong and Profitable

- \$521 million in assets at March 31, 2012
- \$4.8 million in 2011 net income
- \$2.6 million in first quarter 2012 net income
- Excellent capital ratios at March 31, 2012:
  - Tier 1 capital to average total assets 13.1%
  - Tier 1 capital to risk-weighted assets 18.0%
  - Risk-based capital to risk-weighted assets 19.8%

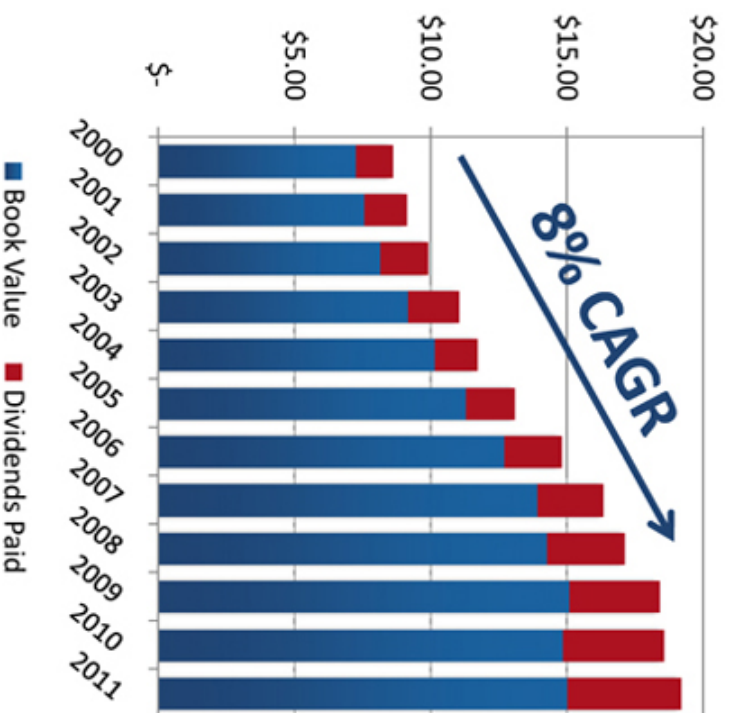


# **Outperform Industry in Service, Profitability and Book Value Growth**



# Strong Capital + Solid Plan to Drive Results

## Book Value Plus Cumulative Dividends



- Rated A (Excellent) by A.M. Best
  - Debt-to-capital of approximately 19%
  - Premium-to-surplus of approximately 1.3-to-1
- Dividend yield of 3.4% for Class A shares
- Repurchase authorization of 300,000 Class A shares
  - 119,000 purchased in 2011
  - 163,000 remaining

# **Effective Consolidator of “Main Street” Property and Casualty Insurers**

## **Appendix**



# History of Contributing Transactions

Company	Le Mars	Peninsula	Sheboygan	Southern Mutual	Michigan
Year Acquired	2004	2004	2008	2009	2010
Company Type	Mutual	Stock	Mutual	Mutual	Stock
Primary Product Line	Personal	Niche	Personal	Personal	Pers./Comm.
Geographic Focus	Midwest	Mid-Atlantic	Wisconsin	Georgia/ South Carolina	Michigan
Transaction Type	Demutualization	Purchase	Demutualization	Affiliation	Purchase
Net Premiums Acquired	\$20 million	\$34 million	\$8 million	\$11 million	\$27 million*
Acquisition Price	\$4 million	\$24 million	\$4 million	N/A	\$42 million
Avg. Growth Rate**	4%	2%	11%	N/A	N/A
Avg. Combined Ratio**	92%	92%	107%	107%	95%

\* Michigan's direct premiums written were \$105 million in 2010

\*\* Since acquisition

## Michigan Insurance Company Acquired December 1, 2010

- Purchase price of \$42 million = 1.22x GAAP book value
  - Loss reserve guarantee and trust agreement
- \$108 million in 2011 direct written premiums
  - MICO retaining 25%
  - MICO ceding 25% to Donegal Mutual (quota share)  
*(Premiums ceded to Donegal Mutual included in pooling agreement with Atlantic States)*
  - MICO ceding 40% to external reinsurers (quota share) down from 50% for policies effective in 2011
- Potential for increased premium contribution via further changes to external quota share agreement

# Net Premiums Written by Line of Business

(Dollars in millions)	Q112	Q411	Q311	Q211	Q111	Q410	Q310	Q210	Q110
<b>Personal lines:</b>									
Automobile	\$48.0	\$44.6	\$49.5	\$47.7	\$46.3	\$41.9	\$45.0	\$43.4	\$41.2
Homeowners	20.2	22.3	24.4	23.4	19.4	20.5	23.8	22.4	16.7
Other	3.7	3.8	3.9	3.9	3.4	3.4	3.5	3.5	2.9
<b>Total personal lines</b>	<b>71.9</b>	<b>70.7</b>	<b>77.8</b>	<b>75.0</b>	<b>69.1</b>	<b>65.8</b>	<b>72.3</b>	<b>69.3</b>	<b>60.8</b>
<b>Commercial lines:</b>									
Automobile	12.9	10.6	10.9	11.8	11.3	8.6	8.9	10.0	9.4
Workers' compensation	18.6	11.0	12.4	13.6	15.0	7.8	8.2	9.1	9.7
Commercial multi-peril	16.4	13.4	13.6	15.7	15.2	11.1	11.5	12.9	12.2
Other	1.5	2.0	1.5	1.8	1.5	1.0	1.0	1.0	0.8
<b>Total commercial lines</b>	<b>49.4</b>	<b>37.0</b>	<b>38.4</b>	<b>42.9</b>	<b>43.1</b>	<b>28.5</b>	<b>29.6</b>	<b>33.0</b>	<b>32.1</b>
<b>Total net premiums written</b>	<b>\$121.3</b>	<b>\$107.7</b>	<b>\$116.2</b>	<b>\$117.9</b>	<b>\$112.2</b>	<b>\$94.3</b>	<b>\$101.9</b>	<b>\$102.3</b>	<b>\$92.9</b>

# **Effective Consolidator of “Main Street” Property and Casualty Insurers**

For Further Information:

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

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E-mail: [jeffmiller@donegalgroup.com](mailto:jeffmiller@donegalgroup.com)

[www.DonegalGroup.com](http://www.DonegalGroup.com)

