

**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 30, 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 8.01. Other Events.**

On October 30, 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 30, 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 30, 2009**

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/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 30, 2009

## Donegal Mutual Insurance Company and Southern Mutual Insurance Company Complete Affiliation

MARIETTA, Pa. and ATHENS, Ga., Oct. 30, 2009 (GLOBE NEWSWIRE) -- Donald H. Nikolaus, President of Donegal Mutual Insurance Company, and Allen R. Green, President of Southern Mutual Insurance Company, today jointly announced that the affiliation of the two companies had become effective.

The affiliation includes the following elements:

- \* Donegal Mutual purchased a surplus note of Southern Mutual in the principal amount of \$2,500,000 and Southern Mutual's surplus now exceeds \$11 million;
- \* Southern Mutual has entered into a quota share reinsurance agreement pursuant to which Donegal Mutual has assumed 100% of Southern Mutual's currently in force business and will assume 100% of Southern Mutual's future business, and Donegal Mutual is including and will include all business it assumes from Southern Mutual in its pooling agreement with Atlantic States Insurance Company, a subsidiary of Donegal Group Inc. (Nasdaq:DGICA) and (Nasdaq:DGICB);
- \* Donegal Mutual has licensed Southern Mutual to use 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 headquarters in Athens, Georgia with the same management, employees and agents;
- \* Donegal Mutual will assist Southern Mutual in offering additional insurance products and coverages; and
- \* Seven Donegal Mutual designees now serve on Southern Mutual's 12-person Board of Directors.

The affiliation received the approval of the Commissioner of Insurance of the State of Georgia on October 28, 2009 following a public hearing held on October 9, 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 had 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 property and casualty 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.

Donald H. Nikolaus said, "The Donegal Insurance Group is pleased to be affiliated with Southern Mutual and expects both companies to increase their 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, "Our policyholders, our employees and our agents will benefit from the commencement of our affiliation with Donegal Mutual. The affiliation allows us to maintain our mutual status and Georgia domicile and at the same time provides us with greater financial strength and current technology that will enhance our products and service to our policyholders and agents."

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 Allen R. Green, President  
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 alleng@southernmutual.com