

**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) **February 20, 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 February 20, 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 February 20, 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)

**February 20, 2008**

/s/ **JEFFREY D. MILLER**

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(Date)

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

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## **Exhibit Index**

99.1 Press release dated February 20, 2008

## Donegal Group Inc. Announces Fourth Quarter and Full Year Earnings

MARIETTA, Pa., Feb. 20, 2008 (PRIME NEWSWIRE) -- Donegal Group Inc. (Nasdaq:DGICA) (Nasdaq:DGICB) today reported that its net income for the fourth quarter of 2007 was \$10,796,583, or \$.43 per share of Class A common stock on a diluted basis, compared to \$11,045,651, or \$.44 per share of Class A common stock on a diluted basis, reported for the fourth quarter of 2006.

The Company's net income reflected a continuation of the favorable underwriting results experienced in the prior two quarterly periods, with a modest increase in weather-related claims and a moderation in favorable prior accident year reserve development compared to the year-earlier period.

Revenues for the fourth quarter of 2007 were \$86,890,271, an increase of 3.2% over the fourth quarter of 2006, with net premiums earned of \$78,188,948, a 2.6% increase over the year-earlier period. Net premiums written for the fourth quarter of 2007 were relatively unchanged from net premiums written for the fourth quarter of 2006.

The Company's combined ratio was 90.5% for the fourth quarter of 2007, compared to 88.2% for the fourth quarter of 2006. The Company's loss ratio for the fourth quarter of 2007 was 58.4%, compared to 54.9% for the fourth quarter of 2006, reflecting the impact of the aforementioned weather and reserve development. The Company's expense ratio was 31.6% for the fourth quarter of 2007, compared to 32.8% for the fourth quarter of 2006, reflecting adjustments to the expected payout for underwriting-based incentive compensation costs and guaranty fund liabilities.

Net investment income increased slightly to \$5,906,339 for the fourth quarter of 2007, compared to \$5,895,564 reported for the fourth quarter of 2006. The Company continued to increase its tax-exempt municipal bond holdings throughout 2007 to obtain favorable after-tax yields.

Revenues for the full year 2007 were \$340,618,294, an increase of 3.2% over the full year 2006, with net premiums earned of \$310,071,534, a 2.9% increase over the year-earlier period. Net premiums written for the full year 2007 increased 2.0% over net premiums written for the full year 2006.

Net income for the year ended December 31, 2007 was \$38,279,905, compared to \$40,214,722 reported for the year ended December 31, 2006. On a diluted basis, net income per share of Class A common stock for the year ended December 31, 2007 was \$1.53, compared to \$1.60 for the year-earlier period. The Company's combined ratio for the full year 2007 was 91.3%, compared to the combined ratio of 89.0% posted for the full year 2006. The Company's loss ratio was 57.4% for the full year 2007, compared to 55.8% for the full year 2006, with the increase reflecting increased weather-related claim activity in the first quarter of 2007. The Company's expense ratio was 33.5% for the full year 2007, compared to 32.7% for the full year 2006, with the increase representing increased costs for the acquisition of new business and increased underwriting-based incentive compensation costs.

"We are pleased to report solid earnings for the fourth quarter, which contributed to 2007 being an excellent year for Donegal Group. Although current insurance market conditions are challenging, we are pleased that our underwriting focus has enabled us to deliver consistent underwriting profitability," stated Donald H. Nikolaus, President and Chief Executive Officer of Donegal Group Inc.

The Company's book value increased to \$13.92 per common share at December 31, 2007, representing an increase of 9.6% over the Company's book value of \$12.70 per common share at December 31, 2006.

The Company announced on January 29, 2008 that its board of directors and the board of directors of Donegal Mutual Insurance Company had each approved an amendment to the intercompany pooling between Donegal Mutual and Atlantic States Insurance Company, the Company's largest insurance subsidiary. Under the terms of the amendment, Atlantic State's share of the pooled business will increase from 70% to 80% effective March 1, 2008.

The Company will hold a conference call and webcast on Wednesday, February 20, 2008, beginning at 11:00 A.M. Eastern Time. You may participate in the conference call by calling 1-866-383-8009 (Passcode 71968128) or 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). An instant replay of the conference call will be available until February 27, 2008 by calling 1-888-286-8010 (Passcode 82473678).

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 December 31	
	2007	2006
Net premiums earned	\$78,188,948	\$76,197,821
Investment income, net of investment expenses	5,906,339	5,895,564
Net realized investment gains	1,397,394	794,798
Total revenues	86,890,271	84,203,995
 Net income	 \$10,796,583	 \$11,045,651
Net income per common share:		
Class A common stock - basic	\$ 0.44	\$ 0.45
Class A common stock - diluted	\$ 0.43	\$ 0.44
Class B common stock - basic and diluted	\$ 0.39	\$ 0.40

	Year Ended December 31	
	2007	2006
Net premiums earned	\$310,071,534	\$301,478,162
Investment income, net of investment expenses	22,785,252	21,320,081
Net realized investment gains	2,051,050	1,829,539
Total revenues	340,618,294	329,967,034
 Net income	 \$ 38,279,905	 \$ 40,214,722
Net income per common share:		
Class A common stock - basic	\$ 1.55	\$ 1.65
Class A common stock - diluted	\$ 1.53	\$ 1.60
Class B common stock - basic and diluted	\$ 1.39	\$ 1.48

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

	Quarter Ended December 31	
	2007	2006
Net premiums earned	\$ 78,189	\$ 76,198
Investment income, net of investment expenses	5,906	5,895
Net realized investment gains	1,397	795
Lease income	269	254
Installment payment fees	1,129	1,062
 Total revenues	 86,890	 84,204
 Net losses and loss expenses	 45,628	 41,793
Amortization of deferred policy acquisition costs	13,315	12,575
Other underwriting expenses	11,397	12,404
Other expenses	400	564
Policyholder dividends	405	396
Interest	724	740
 Total expenses	 71,869	 68,472
 Income before income tax expense	 15,021	 15,732
Income tax expense	4,225	4,686

Net income	\$ 10,796	\$ 11,046
	=====	=====
Net income per common share:		
Class A common stock - basic	\$ 0.44	\$ 0.45
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Class A common stock - diluted	\$ 0.43	\$ 0.44
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Class B common stock - basic and diluted	\$ 0.39	\$ 0.40
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Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:		
Class A common stock - basic	19,717,747	19,618,252
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Class A common stock - diluted	19,949,711	20,169,418
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Class B common stock - basic and diluted	5,576,775	5,576,775
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Net written premiums	\$ 70,781	\$ 70,745
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Book value per common share at end of period	\$ 13.92	\$ 12.70
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Donegal Group Inc.  
Consolidated Statements of Income  
(unaudited; in thousands, except share data)

	Year Ended December 31	
	2007	2006
	-----	-----
Net premiums earned	\$ 310,072	\$ 301,478
Investment income, net of investment expenses	22,785	21,320
Net realized investment gains	2,051	1,830
Lease income	1,060	982
Installment payment fees	4,650	4,357
	-----	-----
Total revenues	340,618	329,967
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Net losses and loss expenses	177,784	168,421
Amortization of deferred policy acquisition costs	51,205	48,595
Other underwriting expenses	52,726	49,971
Other expenses	1,896	2,118
Policyholder dividends	1,273	1,438
Interest	2,885	2,802
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Total expenses	287,769	273,345
	-----	-----
Income before income tax expense	52,849	56,622
Income tax expense	14,569	16,407
	-----	-----
Net income	\$ 38,280	\$ 40,215
	=====	=====
Net income per common share:		
Class A common stock - basic	\$ 1.55	\$ 1.65
	-----	-----
Class A common stock - diluted	\$ 1.53	\$ 1.60
	-----	-----
Class B common stock - basic and diluted	\$ 1.39	\$ 1.48
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Supplementary Financial Analysts' Data

Weighted-average number of shares outstanding:		
Class A common stock - basic	19,685,674	19,391,664

Class A common stock - diluted	19,962,858	19,995,706
Class B common stock - basic and diluted	5,576,775	5,576,775
Net written premiums	\$ 313,690	\$ 307,407
Book value per common share at end of period	\$ 13.92	\$ 12.70

Donegal Group Inc.  
Consolidated Balance Sheets  
(in thousands)

	December 31, 2007	December 31, 2006
	(unaudited)	
ASSETS:		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost	\$ 154,290	\$ 169,178
Available for sale, at fair value	336,318	331,670
Equity securities, at fair value	36,361	36,812
Investments in affiliates	8,649	8,463
Short-term investments, at cost, which approximates fair value	70,252	45,214
Total investments	605,870	591,338
Cash	4,289	532
Premiums receivable	51,038	49,948
Reinsurance receivable	78,897	97,677
Accrued investment income	5,875	5,769
Deferred policy acquisition costs	26,235	24,739
Prepaid reinsurance premiums	47,286	44,377
Property and equipment, net	5,608	5,146
Deferred tax asset, net	7,026	9,086
Other assets	1,972	3,086
Total assets	\$ 834,096	\$ 831,698

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

	December 31, 2007	December 31, 2006
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Losses and loss expenses	\$ 226,432	\$ 259,022
Unearned premiums	203,431	196,903
Accrued expenses	12,313	12,754
Subordinated debentures	30,929	30,929
Due to affiliate	242	1,567
Other liabilities	8,059	9,721
Total liabilities	481,406	510,896
Stockholders' equity:		
Preferred stock	--	--
Class A common stock	202	198
Class B common stock	56	56
Additional paid-in capital	156,851	152,392
Accumulated other comprehensive income	6,974	5,061
Retained earnings	193,807	163,987
Treasury stock, at cost	(5,200)	(892)
Total stockholders' equity	352,690	320,802
Total liabilities and stockholders'		

equity

\$ 834,096 \$ 831,698

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