

Securities
and Exchange Commission
Washington, D.C. 20549
Form 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 1995.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission File No. 0-15341

Donegal Group Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-2424711
(I.R.S. Employer
Identification No.)

1195 River Road, P.O. Box 302, Marietta, PA 17547-0302
(Address of principal executive offices, including zip code)

(717) 426-1931
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No .

Applicable Only to Issuers Involved in Bankruptcy
Proceedings During the Preceding Five Years:

Indicate by check mark whether the registrant has filed all documents and reports required by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No .

Applicable Only to Corporate Issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 4,184,614 shares of Common Stock, \$1.00 par value, outstanding on July 31, 1995.

Part I. Financial Information

Item 1. Financial Statements.

Donegal Group Inc. And Subsidiaries
Consolidated Balance Sheet

| | June 30, 1995 | December 31, 1994 |
|--|----------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | |
| | ----- | ----- |
| Assets | | |
| Investments | | |
| Fixed maturities | | |
| Held to maturity, at amortized cost | \$ 77,555,218 | \$ 65,451,109 |
| Available for sale, at market value and at the lower of amortized cost or market value | 45,363,797 | 41,370,321 |
| Equity securities, available for sale at market | 5,243,584 | 4,190,316 |
| Short-term investments, at cost, which approximate market | 14,106,979 | 24,640,509 |
| Total Investments | ----- 142,269,578 | ----- 135,652,255 |
| Cash | 725,844 | 1,263,764 |
| Accrued investment income | 2,114,004 | 1,912,835 |
| Premiums receivable | 10,284,404 | 8,882,053 |
| Reinsurance receivable | 23,871,627 | 21,295,593 |
| Deferred policy acquisition costs | 6,095,209 | 5,551,869 |
| Deferred federal income taxes | 3,457,568 | 3,734,826 |
| Current income taxes | 115,300 | - |
| Prepaid reinsurance premiums | 12,249,164 | 10,802,519 |
| Property and equipment, net | 1,624,051 | 1,591,766 |
| Accounts receivable - securities | - | 212,655 |
| Due from affiliate | 1,264,022 | 591,707 |
| Other | 391,532 | 554,468 |
| | ----- | ----- |

| | | |
|---|----------------|----------------|
| Total Assets | \$ 204,462,303 | \$ 192,046,310 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Losses and loss expenses | \$ 86,301,706 | \$ 79,962,961 |
| Unearned premiums | 49,143,337 | 44,512,189 |
| Accrued expenses | 1,005,586 | 1,134,064 |
| Current income taxes | -- | 123,687 |
| Reinsurance balances payable | 579,881 | 562,626 |
| Cash dividend declared to stockholders | -- | 369,335 |
| Accounts payable - securities | 339,879 | 4,213,830 |
| Other | 277,805 | 165,827 |
| | ----- | ----- |
| Total Liabilities | 137,648,194 | 131,044,519 |
| | ----- | ----- |
| Stockholders' Equity | | |
| Preferred stock, \$1.00 par value, authorized 1,000,000 shares; none issued | | |
| Common stock, \$1.00 par value, authorized 10,000,000 shares, issued 4,242,724 and 4,162,770 shares and outstanding 4,177,676 and 4,097,722 shares | 4,242,724 | 4,162,770 |
| Additional paid-in capital | 33,176,721 | 32,411,677 |
| Net unrealized gain (losses) on investments | 115,662 | (821,535) |
| Retained earnings | 30,098,782 | 26,068,659 |
| Treasury stock | (819,780) | (819,780) |
| | ----- | ----- |
| Total Stockholders' Equity | 66,814,109 | 61,001,791 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 204,462,303 | \$ 192,046,310 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

Donegal Group Inc. and Subsidiaries
Consolidated Statement of Income
(Unaudited)

For the three months ended June 30, 1995 and 1994

| | Three Months Ended June 30, | |
|---|-----------------------------|---------------|
| | 1995 | 1994 |
| | ---- | ---- |
| Revenues: | | |
| Premiums earned | \$ 27,233,374 | \$ 23,936,073 |
| Premiums ceded | (6,787,195) | (5,871,976) |
| | ----- | ----- |
| Net premiums earned | 20,446,179 | 18,064,097 |
| Investment income, net of investment expenses | 2,121,382 | 1,730,994 |
| Realized gain (loss) | 190,191 | (308,134) |
| Lease income | 122,553 | 116,093 |
| Service charge income | 371,604 | 204,494 |
| | ----- | ----- |
| Total Revenues | 23,251,909 | 19,807,544 |
| | ----- | ----- |
| Expenses: | | |
| Losses and loss expenses | 18,289,014 | 15,034,547 |
| Reinsurance recoveries | (4,597,411) | (3,520,254) |
| | ----- | ----- |
| Net losses and loss expenses | 13,691,603 | 11,514,293 |
| Amortization of deferred policy acquisition costs | 3,440,000 | 3,010,000 |
| Other underwriting expenses | 2,513,161 | 2,208,111 |
| Policy dividends | 324,625 | 221,268 |
| Other expenses | 324,855 | 188,326 |
| | ----- | ----- |
| Total Expenses | 20,294,244 | 17,141,998 |
| | ----- | ----- |
| Income before income taxes | 2,957,665 | 2,665,546 |
| Income taxes | 694,201 | 718,508 |
| | ----- | ----- |
| Net income | \$ 2,263,464 | \$ 1,947,038 |
| | ===== | ===== |
| Earnings per common share | \$.53 | \$.47 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

Donegal Group Inc. and Subsidiaries
Consolidated Statement of Income
(Unaudited)

For the six months ended June 30, 1995 and 1994

| | Six Months Ended June 30, | |
|---|---------------------------|---------------|
| | 1995 | 1994 |
| | ---- | ---- |
| Revenues: | | |
| Premiums earned | \$ 53,392,825 | \$ 46,533,113 |
| Premiums ceded | (13,453,727) | (11,404,256) |
| | ----- | ----- |
| Net premiums earned | 39,939,098 | 35,128,857 |
| Investment income, net of investment expenses | 4,208,374 | 3,521,245 |
| Realized gain (loss) | 214,297 | (34,487) |
| Lease income | 241,274 | 230,145 |
| Service charge income | 678,634 | 358,480 |
| | ----- | ----- |
| Total Revenues | 45,281,677 | 39,204,240 |
| | ----- | ----- |
| Expenses: | | |
| Losses and loss expenses | 33,670,457 | 33,219,316 |
| Reinsurance recoveries | (7,904,116) | (8,223,528) |
| | ----- | ----- |
| Net losses and loss expenses | 25,766,341 | 24,995,788 |
| | ----- | ----- |
| Amortization of deferred policy acquisition costs | 6,598,000 | 5,835,000 |
| Other underwriting expenses | 5,683,747 | 4,712,362 |
| Policy dividends | 633,816 | 483,190 |
| Other expenses | 628,390 | 367,793 |
| | ----- | ----- |
| Total Expenses | 39,310,294 | 36,394,133 |
| | ----- | ----- |
| Income before income taxes | 5,971,383 | 2,810,107 |
| Income taxes | 1,529,737 | 565,600 |
| | ----- | ----- |
| Net income | \$ 4,441,646 | \$ 2,244,507 |
| | ===== | ===== |
| Earnings per common share | \$ 1.05 | \$.54 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

DONEGAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
FOR THE THREE MONTHS ENDED JUNE 30, 1995

| | Common Stock ----- | | Additonal Paid-In Capital ----- | Net Unreal- ized Gains (Losses) on Investments ----- | Retained Earnings ----- | Treasury Stock ----- | Total Stock- holders' Equity ----- |
|-----------------------------------|-----------------------|-----------------|--|--|-------------------------------|----------------------------|--|
| | Shares ----- | Amount ----- | | | | | |
| Balance, January 1, 1995 | 4,162,770 | \$4,162,770 | \$32,411,677 | \$ (821,535) | \$26,068,659 | \$(819,780) | \$61,001,791 |
| Net Income | | | | | 4,441,646 | | 4,441,646 |
| Unrealized gain on investments | | | | 937,197 | | | 937,197 |
| Dividends Paid | | | | | (411,523) | | (411,523) |
| Issuance of Common Stock | 79,954 | 79,954 | 765,044 | | | | 844,998 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance, June 30, 1995 | 4,242,724 | \$4,242,724 | \$33,176,721 | \$ 115,662 | \$30,098,782 | \$(819,780) | \$66,814,109 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

See accompanying notes to financial statements.

DONEGAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
For the six months ended June 30, 1995 and 1994

| | Six months ended June 30, 1995 | 1994 |
|---|-----------------------------------|--------------|
| | ---- | ---- |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 4,441,646 | \$ 2,244,507 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Liabilities for losses and loss expenses | 6,338,745 | 7,941,338 |
| Depreciation and amortization | 110,746 | 149,294 |
| Realized investment (gain) loss | (214,297) | 34,487 |
| Changes in Assets and Liabilities: | | |
| Unearned premiums | 4,631,148 | 3,551,013 |
| Premiums receivable | (1,402,351) | (1,396,401) |
| Deferred acquisition costs | (543,340) | (319,155) |
| Deferred income taxes | (205,539) | (229,592) |
| Reinsurance receivable | (2,576,034) | (6,178,808) |
| Prepaid reinsurance premiums | (1,446,645) | (1,488,535) |
| Accrued investment income | (201,169) | 192,985 |
| Due from affiliate | (672,315) | 227,836 |
| Accounts payable reinsurance | 17,255 | 1,083,179 |
| Current income taxes payable | (238,987) | 649,433 |
| Other, net | 146,436 | (371,961) |
| | ----- | ----- |
| Net adjustments | 3,743,653 | 3,845,113 |
| | ----- | ----- |
| Net cash provided by operating activities | 8,185,299 | 6,089,620 |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Purchase of fixed maturities | | |
| Held to maturity | (11,811,318) | (4,388,465) |
| Available for sale | (8,602,670) | (10,969,994) |
| Purchase of equity securities, available for sale | (3,998,350) | (5,380,857) |
| Sale of fixed maturities | | |
| Held to maturity | --- | 1,346,375 |
| Available for sale | 2,621,843 | 13,904,427 |
| Maturity of fixed maturities - held to maturity | 2,266,416 | 8,690,154 |
| Maturity of fixed maturities - available for sale | 533,334 | 199,291 |
| Sale of equity securities, available for sale | 3,813,240 | 5,489,155 |
| Purchase of property and equipment | (179,554) | (87,192) |
| Purchase of intangible asset | --- | (115,000) |
| Net sales of short-term investments | 6,569,700 | (14,093,484) |
| | ----- | ----- |
| Net cash used in investing activities | (8,787,359) | (5,405,590) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Expenses of subsidiary formation | --- | (16,625) |
| Cash dividends paid | (780,858) | (695,680) |
| Issuance of common stock | 844,998 | 55,401 |
| Net cash provided by (used in) financing activities | 64,140 | (656,904) |
| | ----- | ----- |
| Net decrease in cash | (537,920) | 27,126 |
| Cash at beginning of year | 1,263,764 | 1,192,124 |
| | ----- | ----- |
| Cash at end of quarter | \$ 725,844 | \$ 1,219,250 |
| | ===== | ===== |
| Cash paid during period | | |
| - Interest | 0 | 0 |
| - Income Taxes | \$ 1,973,000 | \$ 146,000 |

See accompanying notes to consolidated financial statements.

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Overview

Donegal Group Inc. ("DGI" or the "Company") is a regional insurance holding company doing business in Pennsylvania, Maryland, Delaware, Virginia and Ohio through its wholly owned subsidiaries, Atlantic States Insurance Company ("Atlantic"), Southern Insurance Company of Virginia ("Southern") and Atlantic Insurance Services, Inc. ("AIS"). The Company's major lines of business in 1994 and their percentages of total net earned premiums were Automobile Liability (30.7%), Automobile Physical Damage (16.2%) Homeowners (13.8%), Commercial Multiple Peril (13.8%) and Workers' Compensation (19.9%). Atlantic and Southern are subject to regulation by Insurance Departments in those states in which they operate and undergo periodic examination by those departments. They are also subject to competition from other insurance carriers in their operating areas. DGI was formed in September 1986 by Donegal Mutual Insurance Company (the "Mutual Company") which owns 59% of the outstanding common shares of the Company as of June 30, 1995.

In connection with the formation of the Company and Atlantic States, as of October 1, 1986, Atlantic States and the Mutual Company entered into a pooling agreement which provides for the allocation of premiums, losses, loss settlement expenses and underwriting expenses. The Company is not liable for any losses occurring prior to the date of the pooling agreement. The Company's participation in the pool was 35% from October 1, 1986 to September 30, 1988, 50% from October 1, 1988 to December 31, 1992 and since January 1, 1993 has been 60%.

On December 29, 1988, the Company converted Southern Mutual Insurance Company into Southern Insurance Company of Virginia, which writes property and casualty insurance in Virginia, and acquired all of Southern's outstanding capital stock. Pursuant to a reinsurance agreement, Southern cedes 50% of its direct premiums written less certain reinsurance to the Mutual Company and retains the remaining 50%. Because the Mutual Company places substantially all of the business assumed from Southern into the pool, from which the Company has a 60% allocation, the company's results of operations include approximately 80% of the business written by Southern.

In January 1994, the Company formed Atlantic Insurance Services, Inc. which primarily provides risk inspection services for the property-casualty insurance industry.

The Company's results of operations are affected by the conditions that affect all property and casualty insurance companies, such as competition, catastrophic events, regulation, general economic conditions and the investment environment. Underwriting results vary by line of business and from period to period principally due to changes in claims experience. Because the Company's premium volume in various lines of business is small, small changes in the number of incurred claims can significantly affect the results of operations from that line of business in a given fiscal period.

DONEGAL GROUP INC. AND SUBSIDIA
(Unaudited)
Summary Notes to Consolidated Financial Statements

1 - Organization

The Company was organized as a regional insurance holding company by Donegal Mutual Insurance Company (the "Mutual Company") on August 26, 1986 and operates in Pennsylvania, Maryland, Delaware, Virginia and Ohio through its wholly owned stock insurance companies, Atlantic States Insurance Company ("Atlantic States"), Southern Insurance Company of Virginia ("Southern") and Atlantic Insurance Services, Inc. ("AIS"). The Company's major lines of business are Automobile Liability, Automobile Physical Damage, Homeowners, Commercial Multiple Peril and Workers' Compensation. Atlantic and Southern are subject to regulation by Insurance Departments in those states in which they operate and undergo periodic examination by those departments. They are also subject to competition from other insurance carriers in their operating areas. Atlantic States engages in the insurance business primarily through an intercompany pooling arrangement with the Mutual Company. Southern was acquired by the Company on December 31, 1988 pursuant to a plan of conversion from a mutual to a stock company and cedes 50% of its business to the Mutual Company, 80% prior to 1991. At June 30, 1995 the Mutual Company held 59% of the outstanding common stock of the Company.

2 - Basis of Presentation

The financial information for the interim period included herein is unaudited; however, such information reflects all adjustments, consisting only of normal recurring adjustments, which, in the opinion of management of Registrant, are necessary to a fair presentation of Registrant's financial position, results of operations and changes in financial position for the interim period included herein. The results of operations for the six months ended June 30, 1995, are not necessarily indicative of results of operations to be expected for the twelve months ended December 31, 1995.

These financial statements should be read in conjunction with the financial statements and notes thereto contained in Registrant's Annual Report on Form 10-K for the year ended December 31, 1994.

Results of Operations - Three Months Ended June 30, 1995
to Three Months Ended June 30, 1994

Revenues for the three months ended June 30, 1995 were \$23,251,909, an increase of \$3,444,365, or 17.4%, over the same period of 1994. An increase in net premiums earned of \$2,382,082, or 13.2% represented most of this change. The company's retained share of direct premiums written increased 10.1% in the second quarter of 1995 compared to the second quarter of 1994. In the second quarter 1994, the Company incurred additional ceded reinsurance premiums of approximately \$400,000. These additional ceded premiums were reinstatement premiums related to catastrophe reinsurance recoveries resulting from claims incurred due to severe weather which hit the northeastern part of the United States in the first three months of 1994. Investment income for the second quarter 1995 was \$2,121,382 an increase of \$390,388, or 22.6%, over the second quarter 1994. An increase in the average invested assets of \$14,306,118, or 11.4%, to \$139,724,060 and an increase in the average return on investments to an annualized rate of 6.1% for the second quarter of 1995 compared to 5.5% for the second quarter of 1994, accounted for the change. Realized investment gains, which resulted from the normal turnover of the Company's investment portfolio, increased to \$190,191 in the second quarter of this year, compared to a loss of (\$308,134) for the second quarter of 1994.

The GAAP combined ratio of insurance operations in the second quarter of 1995 was 97.7% compared to 93.9% for the same period in 1994. The GAAP combined ratio is the sum of the ratios of incurred losses and loss adjusting expenses to premiums earned (loss ratio), policyholders dividends to premiums earned (dividend ratio), and underwriting expenses to premiums earned (expense ratio). An increase in the loss ratio from 63.7% in the second quarter of 1994 to 67.0% in the second quarter of 1995, accounted for most of the change. The expense ratio increased from 28.9% to 29.1% in the second quarter of 1995 due primarily to additional incentive expenses for employees and agents related to the higher levels of profitability for the year to date. The dividend ratio increased slightly from 1.2% for the second quarter of 1994 to 1.6% for the second quarter of 1995 due primarily to higher levels of profitability in 1995.

Federal income taxes for the second quarter of 1995 represented 23.5% of pre-tax income compared to 26.9% for the second quarter of 1994. A tax benefit resulting from the exercise of options by employees accounted for the majority of this difference. The effective tax rates incurred are less than the statutory federal rate of 34% due primarily to tax exempt investment income from municipal bonds.

Results of Operations - Six Months Ended June 30, 1995
to Six Months Ended June 30, 1994

Revenues for the six months ended June 30, 1995 were \$45,281,677, an increase of \$6,077,437, or 15.5%, over the same period of 1994. An increase in net premiums earned of \$4,810,241, or 13.7% represented most of this change. The company's retained share of direct premiums written increased 12.4% in the first six months of 1995 compared to the same period of 1994. In the six months ended June 30, 1994, the Company incurred additional ceded reinsurance premiums of approximately \$1,000,000. These additional ceded premiums were reinstatement premiums related to catastrophe reinsurance recoveries resulting from claims incurred due to severe weather which hit the northeastern part of the United States in the first three months of 1994. Investment income for the first six months of 1995 was \$4,208,374 an increase of \$687,129, or 19.5%, over the first six months of 1994. An increase in the average invested assets of \$15,307,229, or 12.4%, to \$138,960,916 and an increase in the average return on investments to an annualized rate of 6.1% for the first six months of 1995 compared to 5.7% for the first six months of 1994, accounted for the change. Realized investment gains, which resulted from the normal turnover of the Company's investment portfolio, increased to \$214,297 through June 30 of this year, compared to a loss of (\$34,487) for the first six months of 1994.

The GAAP combined ratio of insurance operations in the first six months of 1995 was 96.9% compared to 102.6% for the same period in 1994. The GAAP combined ratio is the sum of the ratios of incurred losses and loss adjusting expenses to premiums earned (loss ratio), policyholders dividends to premiums earned (dividend ratio), and underwriting expenses to premiums earned (expense ratio). An improvement in the loss ratio from 71.2% in the first six months of 1994 to 64.5% in the first six months of 1995, accounted for most of the change. The expense ratio increased from 30.0% to 30.7% for the first six months ended June 30, 1995 due primarily to additional incentive expenses for employees and agents related to the higher levels of profitability for the year to date. The dividend ratio increased slightly from 1.4% for the first two quarters of 1994 to 1.6% for the first two quarters of 1995, due primarily to higher levels of profitability in 1995.

Federal income taxes for the six months ended June 30, 1995 represented 25.6% of pre-tax income compared to 20.1% for the same period of 1994 due primarily to the net loss incurred for taxes in the first quarter of 1994, used in the second quarter of 1994. The effective tax rates incurred are less than the statutory federal rate of 34% due primarily to tax exempt investment income from municipal bonds.

Liquidity and Capital Resources

The Company generates sufficient funds from its operations and maintains a high degree of liquidity in its investment portfolio. The primary source of funds to meet the demands of claim settlements and operating expenses are premium collections, investment earnings and maturing investments. As of June 30, 1995, the Company had no material commitment for capital expenditures.

In investing funds made available from operations, the Company maintains securities maturities consistent with its projected cash needs for the payment of claims and expenses. The Company maintains a portion of its investment portfolio in relatively short-term and highly liquid assets to ensure the availability of funds.

The Company's principal source of cash with which to pay stockholder dividends is dividends from Atlantic States and Southern, which are required by law to maintain certain minimum surplus on a statutory basis and are subject to regulations under which payment of dividends from statutory surplus is restricted and may require prior approval of their domiciliary insurance regulatory authorities. At December 31, 1994, amounts available for distribution as dividends to DGI without prior approval of the insurance regulatory authorities are \$764,696 from Southern and \$4,072,387 from Atlantic States.

Unrealized gains resulting from fluctuations in the market value of investments available for sale reported in the balance sheet at market value were \$115,662 at June 30, 1995, net of taxes.

Credit Risk

The company provides property and liability coverages through its subsidiaries' independent agency systems located throughout its operating area. The majority of this business is billed directly to the insured although a portion of Donegal Group's commercial business is billed through its agents who are extended credit in the normal course of business.

The Company's subsidiaries have reinsurance agreements in place with the Mutual Company and with a number of other major authorized reinsurers.

Impact of Inflation

Property and casualty insurance premiums are established before the amount of losses and loss settlement expenses, or the extent to which inflation may impact such expenses, are known. Consequently, the Company attempts, in establishing rates, to anticipate the potential impact of inflation.

Impact of New Accounting Standards

Accounting for Certain Investments in Debt and Equity Securities

The Company adopted the SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, effective January 1, 1994 on a prospective basis. The cumulative effect of adopting SFAS 115 resulted in a before tax unrealized gain of \$1,908,207. The net increase to equity amounted to \$1,259,417 after providing for taxes of \$648,790. Adoption of this statement had no effect on the net income of the Company.

SFAS 115 requires that investments in all debt securities and those equity securities with readily determinable market values be classified into three categories as follows:

- Held to Maturity Securities - Debt securities that the enterprise has the positive intent and ability to hold to maturity; reported at amortized costs.
- Trading Securities - Debt and equity securities that are bought and held principally for the purpose of selling them in the near term; reported at fair value, with unrealized gains and losses included in earnings.
- Available for Sale Securities - Debt and equity securities not classified as either held to maturity securities or trading securities; reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity (net of tax effects).

No trading securities were identified at December 31, 1994 or June 30, 1995.

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

EX-27 Financial Data Schedule

(b) Reports on Form 8-K

During the quarter ended June 30, 1995, Registrant did not file any reports on Form 8-K.

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, thereunto duly authorized.

Donegal Group Inc.

Date: August 10, 1995

By: _____
Donald H. Nikolaus,
President and
Chief Executive Officer

Date: August 10, 1995

By: _____
Ralph G. Spontak,
Corporate Secretary,
Senior Vice President and
Chief Financial Officer

3-MOS
DEC-31-1995
JUN-30-1995
45,363,797
77,555,218
78,619,251
5,243,584
0
0
142,106,979
725,844
0
6,095,209
204,462,303
86,301,706
49,143,337
0
0
0
4,242,724
0
0
62,571,385
204,462,303
20,446,179
2,121,382
190,191
494,157
13,691,603
3,440,000
2,513,161
2,957,665
694,201
2,263,464
0
0
0
2,263,464
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