

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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 21, 2007

HARLEYSVILLE GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware	0-14697	51-0241172
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

355 Maple Avenue, Harleysville, Pennsylvania	19438
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(Address of principal executive offices)	(Zip Code)

(215) 256-5000

Registrant's telephone number, including area code

Not Applicable

(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-4c)

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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On February 21, 2007, Harleysville Group Inc. issued a press release reporting its results for the fourth quarter and year-end 2006 (furnished hereunder as Exhibit 99.1 and incorporated herein).

The information provided in this Form 8-K, Item 2.02, Results of Operations and Financial Condition, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

In addition to disclosing results that are determined in accordance with U.S. generally accepted accounting principles (GAAP), the company also discloses non-GAAP information on operating earnings and its statutory combined ratio. Management believes information on operating earnings and statutory combined ratio is useful to investors. Management has historically employed operating earnings and statutory combined ratio as valuable measurements of the underlying profitability of the Company's insurance operations since they exclude the impact of the Company's investment results.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit 99.1 Press release "Harleysville Group Reports Record Fourth Quarter and Year-end 2006 Results" dated February 21, 2007.

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.

HARLEYSVILLE GROUP INC.
Registrant

/s/Arthur E. Chandler

Arthur E. Chandler
Senior Vice President and
Chief Financial Officer

February 21, 2007

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release dated February 21, 2007 of Harleysville Group Inc. (furnished pursuant to Item 2.02 hereof).

Harleysville Group Reports Record
Fourth Quarter and Year-End 2006 Results

Fourth quarter and year-end highlights:

- Record high operating earnings of \$0.71 per share in quarter, \$2.65 for year
- Statutory combined ratio(1) improves by 2.7 points to 98.0 percent in quarter and by 3.6 points to 98.6 percent for year
- After-tax investment income grows 12 percent in quarter, 9 percent for year
- Strong cash flow in 2006 of \$166.1 million continues to be driven by lower paid losses

HARLEYSVILLE, Pa.--(BUSINESS WIRE)--Feb. 21, 2007--Harleysville Group Inc. (NASDAQ:HGIC) today reported diluted operating income of \$0.71 per share for the fourth quarter of 2006, compared to \$0.60 per share in the fourth quarter of 2005. For the 12-month periods, the company reported diluted operating income of \$2.65 per share in 2006 and \$2.00 per share in 2005. Operating income is a non-GAAP financial measure defined by the company as net income excluding after-tax realized gains and losses on investments, and the cumulative effect of an accounting change, net of income tax.

"We're pleased to report a strong finish to the year as we delivered another solid quarter featuring ongoing, steady improvement in our operating performance," commented Michael L. Browne, Harleysville Group's president and chief executive officer. "Our statutory combined ratio for the fourth quarter was 98.0 percent, or 2.7 points better than the same period a year ago. And, we produced an operating return on equity of 13 percent, compared to 11 percent a year ago. In addition, our operating earnings for the fourth quarter were \$0.71 per share, a significant improvement over the \$0.60 a share we reported in the fourth quarter of 2005. We continue to maintain our solid capital base and a strong balance sheet, a modest debt-to-capital ratio of 14 percent(2), a high-quality investment portfolio, and a premium-to-surplus ratio of 1.2 to 1--all of which continue to anchor the sound financial foundation necessary for us to write our agents' best business."

The company reported diluted net income of \$0.71 per share in the fourth quarter of 2006, compared to \$0.60 per share in the fourth quarter of 2005. There were essentially no realized investment gains in the fourth quarter of either year. For the 12-month periods, diluted net income was \$3.52 per share in 2006 and \$2.01 per share in 2005. For the 12 months, the company reported \$0.84 per share of realized investment gains in 2006, compared to \$0.01 per share in 2005. The majority of the realized gains in 2006 are the result of actions taken by the company in the second quarter of the year to reduce its holding of equity investments by approximately \$120 million as part of its efforts to manage enterprise-wide risk. The 12 months of 2006 also include an after-tax benefit of \$0.03 per share for the cumulative effect of a change in accounting principle resulting from the adoption of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment." This statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements.

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Harleysville Group's overall statutory combined ratio was 98.0 percent in the fourth quarter of 2006, compared to 100.7 percent in the fourth quarter of 2005. For the 12 months, the statutory combined ratio was 98.6 percent in 2006, versus 102.2 percent in 2005.

Fourth quarter net written premiums were \$203.7 million in 2006, compared to \$198.4 million in the same period in 2005. Net written premiums through 12 months were \$838.8 million in 2006 and \$839.0 million in 2005.

Fourth quarter pretax investment income increased 18 percent to \$27.3 million, while after-tax investment income grew 12 percent in the fourth quarter to \$19.7 million. For the 12 months, pretax investment income was up 13 percent to \$102.6 million, while after-tax investment income rose 9 percent to \$75.3 million. Operating cash flow through 12 months was \$166.1 million in 2006, compared to \$165.1 million in 2005.

Commercial lines -- Net written premiums in commercial lines were \$169.5 million in the fourth quarter of 2006, up 4 percent from the same period in 2005. For the 12 months, net written premiums rose by 1 percent to \$695.9 million. The commercial lines statutory combined ratio was 100.0 percent in the fourth quarter of 2006, versus 105.4 percent in the fourth quarter of 2005. For the 12 months, the statutory combined ratio was 100.3 percent in 2006, compared to 104.3 percent in 2005.

Personal lines -- Harleysville Group's personal lines statutory combined ratio was 88.5 percent in the fourth quarter of 2006, versus 78.4 percent during the fourth quarter of 2005. For the 12 months, the statutory combined ratio was 90.6 percent in 2006, compared to 93.1 percent in 2005. Net written premiums decreased 2 percent to \$34.2 million in the fourth quarter of 2006, and were down 3 percent to \$142.9 million through 12 months.

Outlook -- "Looking ahead, we will maintain our focus on the basics of our business as we seek to consistently produce the quality results we are reporting today--improving earnings, profitable underwriting, operating return on equity over 12 percent, and smart growth for the long term--while always maintaining a healthy balance sheet," Browne said. "Throughout 2007 and beyond, we will continue to build and strengthen our regional field structure, which has allowed us to stay close to our agency partners and retain our best existing business, while competing effectively for their quality new business."

Webcast -- The company will host a live Webcast tomorrow, February 22, 2007, at 8 a.m. (ET) to discuss its fourth quarter results. The Webcast and a replay will be available from the Investors section of the company's Web site (www.harleysvillegroup.com).

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GAAP and non-GAAP financial measures -- The company uses a non-GAAP financial measure called "operating income" that management believes is useful to investors because it illustrates the performance of normal, ongoing operations, which is important in understanding and evaluating the company's financial condition and results of operations. While this measure is utilized by investors to evaluate performance, it is not a substitute for the U.S. GAAP financial measure of net income. Therefore, a reconciliation of this non-GAAP financial measure to the U.S. GAAP financial measure of net income is provided following the Consolidated Statements of Income contained in this release. Management also uses operating income for, among other things, goal setting, determining employee and senior management compensation, and evaluating performance.

Corporate profile -- Harleysville Insurance is a leading regional provider of insurance products and services for small and mid-sized businesses, as well as for individuals, and ranks among the top 60 U.S. property/casualty insurance groups based on net written premiums. Harleysville Mutual Insurance Company owns 54 percent of Harleysville Group Inc. (NASDAQ:HGIC), a publicly traded holding company for nine regional property/casualty insurance companies collectively rated A- (Excellent) by A.M. Best Company. Harleysville Group is a member of the NASDAQ Global Select Market, which represents the top third of all NASDAQ-listed companies and has the highest initial listing standards of any exchange in the world based on financial and liquidity requirements. Harleysville Group has paid a dividend every quarter since the company went public in 1986, and was one of 3 percent of public companies recently recognized with a 2006 Mergent Dividend Achiever Award for its long-term history of dividend increases. Harleysville Insurance--which distributes its products exclusively through independent insurance agencies and reflects that commitment to its agency force by being a Trusted Choice(R) company partner--currently operates in 32 eastern and midwestern states. Further information can be found on the company's Web site at www.harleysvillegroup.com.

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CONSOLIDATED STATEMENTS OF INCOME	Quarter ended December 31		Twelve months ended December 31	
(in thousands, except per share data)	2006	2005	2006	2005
REVENUES:				
Premiums earned	\$210,747	\$212,695	\$838,821	\$841,567
Investment income, net of investment expense	27,279	23,169	102,609	90,572
Realized investment gains	185	166	40,605	233
Other income	3,762	3,716	17,136	15,968
Total revenues	241,973	239,746	999,171	948,340
LOSSES AND EXPENSES:				
Losses and loss settlement expenses	135,461	136,453	539,823	567,396
Amortization of deferred policy acquisition costs	53,066	54,541	212,872	210,665
Other underwriting expenses	18,222	21,383	78,208	79,367
Interest expense	1,753	1,703	6,943	6,648
Other expenses	1,195	1,037	4,957	5,343
Total expenses	209,697	215,117	842,803	869,419
Income before income taxes and cumulative effect of accounting change	32,276	24,629	156,368	78,921
Income taxes	9,379	6,148	46,241	17,490
Income before cumulative effect of accounting change	22,897	18,481	110,127	61,431
Cumulative effect of accounting change, net of income taxes			942	
Net income	\$22,897	\$18,481	\$111,069	\$61,431
Weighted average number of shares outstanding:				
Basic	31,447,575	30,509,961	31,011,310	30,375,109
Diluted	32,061,486	30,821,299	31,525,654	30,585,913
Per common share:				
Basic earnings before cumulative effect of accounting change	\$0.73	\$0.61	\$3.55	\$2.02
Basic cumulative effect of accounting change			\$0.03	
Basic earnings	\$0.73	\$0.61	\$3.58	\$2.02
Diluted earnings before cumulative effect of accounting change	\$0.71	\$0.60	\$3.49	\$2.01
Diluted cumulative effect of accounting change			\$0.03	
Diluted earnings	\$0.71	\$0.60	\$3.52	\$2.01
RECONCILIATION TO OPERATING INCOME :				
Net income	\$22,897	\$18,481	\$111,069	\$61,431
Less cumulative effect of accounting change, net of income taxes			942	
Less realized investment gains, net of income taxes	120	108	26,394	152
Operating income	\$22,777	\$18,373	\$83,733	\$61,279

These financial figures are unaudited.

*Operating income is a non-GAAP financial measure defined by the company as net income excluding after-tax realized gains and losses on investments and the cumulative effect of accounting change, net of income taxes.

Harleystville Group Inc. and Subsidiaries

SUPPLEMENTARY FINANCIAL ANALYSTS' DATA

(dollars in thousands)	Quarter ended December 31		Twelve months ended December 31	
	2006	2005	2006	2005
Net premiums written*	\$203,667	\$198,434	\$838,817	\$839,044
Statutory surplus*			\$686,149	\$566,802
Pretax investment income	\$27,279	\$23,169	\$102,609	\$90,572
Related federal income taxes	7,598	5,609	27,279	21,549
After-tax investment income	\$19,681	\$17,560	\$75,330	\$69,023

SEGMENT INFORMATION

(dollars in thousands)	Quarter ended December 31		Twelve months ended December 31	
	2006	2005	2006	2005
Revenues:				
Premiums earned:				
Commercial lines	\$174,476	\$175,016	\$693,229	\$687,135
Personal lines	36,271	37,679	145,592	154,432
Total premiums earned	210,747	212,695	838,821	841,567
Net investment income	27,279	23,169	102,609	90,572
Realized investment gains	185	166	40,605	233
Other	3,762	3,716	17,136	15,968
Total revenues	\$241,973	\$239,746	\$999,171	\$948,340

Income before income taxes and cumulative effect of accounting change:

Underwriting gain (loss):				
Commercial lines	\$1,771	(\$5,326)	(\$2,972)	(\$31,066)
Personal lines	4,812	9,168	14,611	13,196
SAP underwriting gain (loss)	6,583	3,842	11,639	(17,870)
GAAP adjustments	(2,585)	(3,524)	(3,721)	2,009
GAAP underwriting gain (loss)	3,998	318	7,918	(15,861)
Net investment income	27,279	23,169	102,609	90,572
Realized investment gains	185	166	40,605	233
Other	814	976	5,236	3,977
Income before income taxes and cumulative effect of accounting change	\$32,276	\$24,629	\$156,368	\$78,921

Income taxes on net investment income	\$7,598	\$5,609	\$27,279	\$21,549
Income taxes (benefit) on remaining gain (loss) before cumulative effect of accounting change	1,781	539	18,962	(4,059)
Total income taxes on income before cumulative effect of accounting change	\$9,379	\$6,148	\$46,241	\$17,490

Effective tax rate on:				
Net investment income	27.9%	24.2%	26.6%	23.8%
Income before cumulative effect of accounting change	29.1%	25.0%	29.6%	22.2%

These financial figures are unaudited.

*Statutory data is a non-GAAP measure. Because it is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual, a reconciliation to GAAP is not required.

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Harleysville Group Inc. and Subsidiaries

STATUTORY DATA BY LINE OF BUSINESS*

	Quarter ended December 31		Twelve months ended December 31	
(dollars in thousands)	2006	2005	2006	2005

Net premiums written:

Commercial:

Automobile	\$48,488	\$49,807	\$206,316	\$221,680
Workers' compensation	23,093	21,343	97,113	95,877
Commercial multi-peril	80,696	75,451	321,270	306,267
Other commercial	17,195	17,067	71,189	68,532

Total commercial \$169,472 \$163,668 \$695,888 \$692,356

Personal:

Automobile	\$16,417	\$18,117	\$71,270	\$78,787
Homeowners	15,754	14,572	63,124	59,175
Other personal	2,024	2,077	8,535	8,726

Total personal \$34,195 \$34,766 \$142,929 \$146,688

Total personal and commercial \$203,667 \$198,434 \$838,817 \$839,044

Combined ratios:

Commercial:

Automobile	98.5%	102.2%	99.3%	101.1%
Workers' compensation	116.9%	128.9%	117.2%	124.0%
Commercial multi-peril	96.3%	100.1%	98.9%	101.5%
Other commercial	96.6%	106.0%	86.6%	98.7%

Total commercial 100.0% 105.4% 100.3% 104.3%

Personal:

Automobile	97.2%	87.6%	99.3%	99.2%
Homeowners	80.0%	66.9%	82.6%	87.6%
Other personal	75.4%	70.0%	69.8%	72.3%

Total personal 88.5% 78.4% 90.6% 93.1%

Total personal and commercial 98.0% 100.7% 98.6% 102.2%

Losses paid \$115,184 \$123,508 \$447,064 \$461,915

Net catastrophe losses
incurred \$2,825 \$2,464 \$13,899 \$6,502

These financial figures are unaudited.

*Statutory data is a non-GAAP measure. Because it is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual, a reconciliation to GAAP is not required.

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