

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): July 30, 2009

HARLEYSVILLE GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-14697

(Commission
File Number)

51-0241172

(IRS Employer
Identification No.)

355 Maple Avenue, Harleysville, Pennsylvania

(Address of principal executive offices)

19438

(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-4(c))
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ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On July 30, 2009, Harleysville Group Inc. issued a press release reporting its results for the second quarter of 2009 (furnished as Exhibit 99.1 to this Form 8-K and incorporated herein).

The information provided in this Form 8-K 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 any 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 identified as "operating income" and its statutory combined ratio. Management believes operating income and statutory combined ratio are useful to investors because these measures demonstrate the normal, ongoing operations of the core business. Management has historically employed operating income 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

(d) Exhibits

<u>Number</u>	<u>Description</u>
99.1	Press Release of Harleysville Group Inc., issued July 30, 2009

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

July 30, 2009

/s/ Robert A. Kauffman
Robert A. Kauffman
Senior Vice President,
Secretary, General Counsel &
Chief Compliance Officer

Harleysville Group Inc. Reports Second Quarter 2009 Results

Second quarter highlights:

- **Operating income of \$0.72 per share**
- **Operating return on equity of 12.6 percent**
- **Statutory combined ratio¹ of 99.5 percent**
- **Book value of \$25.08 per share; up 8 percent from year-end 2008**
- **Dividend raised 8 percent to \$1.30 per share on an annualized basis; up more than 70 percent over the last three years**
- **\$25 million share repurchase program announced**

HARLEYSVILLE, Pa.--(BUSINESS WIRE)--July 30, 2009--Harleysville Group Inc. (NASDAQ:HGIC) today reported diluted operating income of \$0.72 per share for the second quarter of 2009, compared to \$0.31 per share in the second quarter of 2008. For the six-month periods, the company reported diluted operating income of \$1.34 per share in 2009 and \$1.11 per share in 2008. Operating income is a non-GAAP financial measure defined by the company as net income excluding after-tax realized gains and losses on investments. See below for the company's reported GAAP net income.

"I'm pleased to report that we had a strong overall performance in the second quarter," commented Michael L. Browne, Harleysville Group's president and chief executive officer. "Our operating return on equity (ROE) for the trailing 12 months was 12.6 percent, exceeding our long-term ROE goal of at least 12 percent. We also reported a statutory combined ratio of 99.5 percent, and operating income of \$0.72 per share.

"Our balance sheet remains strong, with our book value increasing 8 percent to \$25.08 from \$23.18 at year-end 2008," Browne continued. "At the same time, our capital management efforts continue to differentiate us from our competitors. As we announced earlier today, we are increasing our dividend by 8 percent to an annualized \$1.30 per share from \$1.20 per share. We also authorized a stock buyback to repurchase up to an additional \$25 million, or approximately 3 percent, of our outstanding shares. This new stock repurchase program is our fifth since June 2007. When it's completed, we will have bought back approximately 20 percent of our outstanding shares since the middle of 2007. Our ability to continue increasing our dividend and buying back shares reflects our financial strength, as evidenced by a blue chip investment portfolio, a solid reserve position, a debt-to-capital ratio of 16 percent² and a premium-to-surplus ratio of 1.4 to 1. With that as our foundation, we're positioned to continue to be a strong and stable market for our agents' best business."

The company reported diluted net income of \$0.72 per share in the second quarter of 2009, compared to \$0.31 per share in the second quarter of 2008. Realized investment gains (losses) after tax in the second quarter of both 2009 and 2008 were negligible. For the six-month periods, diluted net income was \$1.32 per share in 2009 and \$1.11 per share in 2008. For the six months, the company reported \$0.02 per share after tax of realized investment losses in 2009, compared to minimal investment losses in 2008.

The company's second quarter net written premiums decreased 6.6 percent to \$222.3 million in 2009, compared to \$237.9 million in the same period in 2008. Net written premiums through six months were \$439.0 million in 2009, compared to \$469.7 million in 2008, excluding the non-recurring impact of the pooling change in 2008.

Harleysville Group's overall statutory combined ratio was 99.5 percent in the second quarter of 2009, compared to 107.7 percent in the second quarter of 2008. Catastrophe losses added 1.7 points to the second quarter result in 2009, compared to 10.9 points in 2008. For the six months, the statutory combined ratio was 100.7 percent in 2009, versus 102.2 percent in 2008. Catastrophe losses added 1.2 points to the six-month result in 2009 and 6.1 points in 2008. Adjusting for the one-time impact of the 2008 pooling change, the statutory combined ratio for the six months of 2008 was 102.9 percent.

Second quarter pretax investment income decreased 7.7 percent to \$26.4 million, while after-tax investment income was down 5.2 percent in the second quarter to \$19.8 million. For the six months, pretax investment income declined 8.7 percent to \$52.8 million, while after-tax investment income was down 6.3 percent to \$39.4 million. Operating cash flow for the six months of 2009 was \$38.2 million, compared to \$44.7 million in the six months of 2008, excluding the non-recurring impact of the pooling change in 2008.

Commercial lines Net written premiums in commercial lines decreased 9.7 percent to \$176.5 million in the second quarter of 2009. For the six months, net written premiums were down 9.3 percent to \$354.9 million. The commercial lines statutory combined ratio was 100.2 percent in the second quarter of 2009, versus 106.1 percent in the second quarter of 2008. For the six months, the statutory combined ratio was 101.4 percent in 2009, compared to 102.5 percent in 2008, adjusting for the non-recurring impact of the pooling change in 2008.

Personal lines Net written premiums in personal lines were up 7.8 percent to \$45.7 million in the second quarter of 2009. For the six months, net written premiums grew 7.2 percent to \$84.2 million. Harleysville Group's personal lines statutory combined ratio was 96.8 percent in the second quarter of 2009, versus 115.7 percent during the second quarter of 2008. For the six months, the statutory combined ratio was 97.8 percent in 2009, compared to 104.8 percent in 2008, adjusting for the non-recurring impact of the pooling change in 2008.

Outlook "Looking ahead, we will remain focused on the basics of our business in order to retain our best accounts and generate responsible, profitable growth," Browne said. "Most importantly, we will not compromise underwriting quality to chase a near-term growth goal. Instead, we will work closely with our agency partners to remain disciplined—despite current market conditions—as we seek to consistently produce improving earnings, profitable underwriting and an operating ROE of 12 percent or better—all of which will serve to differentiate us throughout 2009 and beyond."

Webcast The company will host a live Webcast tomorrow, July 31, 2009, at 8 a.m. (ET) to discuss its second quarter results. The Webcast and a replay will be available from the Investors section of the company's Web site (www.harleysvillegroup.com).

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. As a Trusted Choice[®] company partner, Harleysville distributes its products exclusively through a network of independent agents primarily across 32 states. Harleysville was listed recently as #30 in the *InformationWeek 500*, the publication's annual listing of the most innovative information technology organizations in the U.S., and has been ranked on the list in each of the last three years. Harleysville Mutual Insurance Company owns 53 percent of Harleysville Group Inc. (NASDAQ: HGIC), a publicly traded holding company for eight regional property/casualty insurance companies collectively rated A- (Excellent) by A.M. Best Company. Harleysville Group is listed on the NASDAQ Global Select Market, which is comprised of the top third of all NASDAQ member 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 recognized with a 2009 Mergent Dividend Achiever Award for its long-term history of dividend increases. Further information can be found on the company's Web site at www.harleysvillegroup.com.

Forward-looking information Certain of the statements contained herein (other than statements of historical facts) are forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and include estimates and assumptions related to economic, competitive and legislative developments. These forward-looking statements are subject to change and uncertainty that are, in many instances, beyond the company's control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect on Harleysville Group Inc. There can be no assurance that future developments will be in accordance with management's expectations so that the effect of future developments on Harleysville Group will be those anticipated by management. Actual financial results, including operating return on equity, premium growth and underwriting results, could differ materially from those anticipated by Harleysville Group depending on the outcome of certain factors, which may include changes in property and casualty loss trends and reserves; catastrophe losses; the insurance product pricing environment; changes in applicable law; government regulation and changes therein that may impede the ability to charge adequate rates; performance of and instability in the financial markets; investment losses; fluctuations in interest rates; availability and price of reinsurance; and the status of the labor markets in which the company operates.

¹ "Statutory combined ratio" is a non-GAAP measure of underwriting profitability and is based on numbers determined under statutory accounting practices as filed with state insurance regulators. It is the sum of the ratio of losses to premiums earned plus the ratio of underwriting expenses to premiums written. A ratio of less than 100 percent indicates underwriting profitability.

² Excludes the effects of SFAS No. 115.

Harleysville Group Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS	Quarter ended June 30		Six months ended June 30	
(in thousands, except per share data)	2009	2008	2009	2008

OPERATING RESULTS

Diluted earnings per common share:				
Operating income*	\$0.72	\$0.31	\$1.34	\$1.11
Realized investment losses, net of income tax benefit			(0.02)	
Net income	\$0.72	\$0.31	\$1.32	\$1.11
Cash dividends per common share	\$0.30	\$0.25	\$0.60	\$0.50

FINANCIAL CONDITION

	June 30, 2009	December 31, 2008
Assets	\$3,203,625	\$3,155,318
Shareholders' equity	\$692,056	\$652,634
Per common share	\$25.08	\$23.18

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Quarter ended June 30		Six months ended June 30	
	2009	2008	2009	2008

REVENUES:

Premiums earned	\$214,789	\$229,835	\$432,812	\$459,208
Investment income, net of investment expense	26,364	28,565	52,753	57,763
Realized investment gains (losses)	(98)	183	(1,041)	(49)
Other income	3,406	2,937	6,831	6,453
Total revenues	244,461	261,520	491,355	523,375

LOSSES AND EXPENSES:

Losses and loss settlement expenses	138,750	170,733	285,479	318,043
Amortization of deferred policy acquisition costs	53,782	56,698	107,879	113,654
Other underwriting expenses	22,067	20,429	42,793	41,340
Interest expense	1,564	1,625	3,186	3,297
Other expenses	1,355	1,130	2,167	2,290
Total expenses	217,518	250,615	441,504	478,624
Income before income taxes	26,943	10,905	49,851	44,751
Income taxes	6,811	1,543	12,430	11,247
Net income	\$20,132	\$9,362	\$37,421	\$33,504

Weighted average number of shares outstanding:

Basic	28,001,825	29,677,137	28,146,539	29,993,446
Diluted	28,116,209	29,967,292	28,290,101	30,275,956

Per common share:

Basic earnings	\$0.72	\$0.32	\$1.33	\$1.12
Diluted earnings	\$0.72	\$0.31	\$1.32	\$1.11

RECONCILIATION TO OPERATING INCOME :

Net income	\$20,132	\$9,362	\$37,421	\$33,504
Less realized investment gains (losses), net of income taxes (benefit)	(64)	119	(677)	(32)
Operating income	\$20,196	\$9,243	\$38,098	\$33,536

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.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	June 30, 2009*	December 31, 2008
ASSETS		
Investments:		
Fixed maturities:		
Held to maturity, at amortized cost (fair value \$233,438 and \$250,798)	\$225,670	\$246,855
Available for sale, at fair value (amortized cost \$1,974,876 and \$1,889,778)	2,036,593	1,914,051
Equity securities, at fair value (cost \$134,742 and \$96,004)	150,964	98,815
Short-term investments, at cost, which approximates fair value	123,368	210,682
Other invested assets, at cost, which approximates fair value	2,698	3,189
Total investments	2,539,293	2,473,592
Cash	146	146
Premiums in course of collection	151,609	142,602
Reinsurance receivable	207,420	212,654
Accrued investment income	26,445	25,630
Deferred policy acquisition costs	112,768	110,339
Prepaid reinsurance premiums	39,333	41,481
Property and equipment, net	13,645	12,511
Deferred income taxes	51,427	68,892
Other assets	61,539	67,471
Total assets	\$3,203,625	\$3,155,318
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss settlement expenses	\$1,778,196	\$1,767,601
Unearned premiums	488,639	484,560
Accounts payable and accrued expenses	120,110	119,063
Due to affiliate	6,124	12,960
Debt	118,500	118,500
Total liabilities	2,511,569	2,502,684
Shareholders' equity:		
Preferred stock, \$1 par value; authorized 1,000,000 shares; none issued		
Common stock, \$1 par value, authorized 80,000,000 shares; issued 34,488,944 and 34,254,581 shares; outstanding 27,591,035 and 28,156,672 shares	34,489	34,254
Additional paid-in capital	239,769	231,715
Accumulated other comprehensive income (loss)	16,257	(17,390)
Retained earnings	609,770	589,146
Treasury stock, at cost, 6,897,909 and 6,097,909 shares	(208,229)	(185,091)
Total shareholders' equity	692,056	652,634
Total liabilities and shareholders' equity	\$3,203,625	\$3,155,318

*These financial figures are unaudited.

SUPPLEMENTARY FINANCIAL ANALYSTS' DATA

(dollars in thousands)	Quarter ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Net premiums written*	\$222,251	\$237,868	\$439,038	\$515,446
Statutory surplus*			\$640,983	\$583,315
Pretax investment income	\$26,364	\$28,565	\$52,753	\$57,763
Related federal income taxes	6,566	7,681	13,362	15,714
After-tax investment income	\$19,798	\$20,884	\$39,391	\$42,049

SEGMENT INFORMATION

(dollars in thousands)	Quarter ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Revenues:				
Premiums earned:				
Commercial lines	\$173,452	\$189,746	\$351,130	\$379,258
Personal lines	41,337	40,089	81,682	79,950
Total premiums earned	214,789	229,835	432,812	459,208
Net investment income	26,364	28,565	52,753	57,763
Realized investment gains (losses)	(98)	183	(1,041)	(49)
Other	3,406	2,937	6,831	6,453
Total revenues	\$244,461	\$261,520	\$491,355	\$523,375
Income before income taxes:				
Underwriting gain (loss):				
Commercial lines	(\$1,402)	(\$13,406)	(\$6,278)	(\$22,937)
Personal lines	(43)	(7,041)	1,012	(5,344)
SAP underwriting loss	(1,445)	(20,447)	(5,266)	(28,281)
GAAP adjustments	1,635	2,422	1,927	14,452
GAAP underwriting gain (loss)	190	(18,025)	(3,339)	(13,829)
Net investment income	26,364	28,565	52,753	57,763
Realized investment gains (losses)	(98)	183	(1,041)	(49)
Other	487	182	1,478	866
Income before income taxes	\$26,943	\$10,905	\$49,851	\$44,751
Income taxes on net investment income	\$6,566	\$7,681	\$13,362	\$15,714
Income taxes (benefit) on remaining gain (loss)	245	(6,138)	(932)	(4,467)
Total income taxes	\$6,811	\$1,543	\$12,430	\$11,247
Effective tax rate on:				
Net investment income	24.9%	26.9%	25.3%	27.2%
Income	25.3%	14.1%	24.9%	25.1%

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.

STATUTORY DATA BY LINE OF BUSINESS*

(dollars in thousands)	Quarter ended June 30		Six months ended June 30		
	2009	2008	Without Intercompany Pooling Transfer**		
			2009	2008	2008
Net premiums written:					
Commercial:					
Automobile	\$46,699	\$51,851	\$94,101	\$104,307	\$114,610
Workers' compensation	19,461	27,205	45,207	58,035	63,143
Commercial multi-peril	88,265	92,479	172,278	183,318	200,948
Other commercial	22,097	23,905	43,299	45,595	49,780
Total commercial	\$176,522	\$195,440	\$354,885	\$391,255	\$428,481
Personal:					
Automobile	\$21,252	\$19,160	\$40,706	\$37,273	\$41,132
Homeowners	21,246	20,250	37,582	36,000	40,132
Other personal	3,231	3,018	5,865	5,200	5,701
Total personal	\$45,729	\$42,428	\$84,153	\$78,473	\$86,965
Total personal and commercial	\$222,251	\$237,868	\$439,038	\$469,728	\$515,446
Statutory combined ratios:					
Commercial:					
Automobile	89.4%	98.1%	89.3%	95.9%	95.0%
Workers' compensation	113.3%	111.9%	110.1%	111.7%	111.0%
Commercial multi-peril	104.3%	107.1%	106.1%	104.8%	104.1%
Other commercial	93.5%	113.0%	100.6%	97.9%	97.2%
Total commercial	100.2%	106.1%	101.4%	102.5%	101.8%
Personal:					
Automobile	103.7%	90.2%	105.3%	94.0%	93.1%
Homeowners	93.2%	142.0%	93.6%	117.6%	116.5%
Other personal	74.6%	114.6%	76.1%	92.4%	92.5%
Total personal	96.8%	115.7%	97.8%	104.8%	103.9%
Total personal and commercial statutory combined ratio	99.5%	107.7%	100.7%	102.9%	102.2%
GAAP combined ratio	99.9%	107.8%	100.8%		103.0%
GAAP losses paid	\$136,162	\$155,322	\$270,194		\$284,973
Net catastrophe losses incurred	\$3,583	\$25,069	\$5,298		\$28,095

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.

**The effect of the January 1, 2008, pooling transfer of \$45,718,282 of net premiums written (representing the transfer of the January 1, 2008, unearned premium balance) and the effect of the pool transfer on the statutory combined ratios are excluded below for comparative purposes.

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