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For Release: Immediately

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HARLEYSVILLE GROUP REPORTS RECORD FOURTH QUARTER AND YEAR-END 2005 RESULTS

Fourth quarter and year-end highlights:

- Record high operating earnings of \$0.60 per share in quarter and \$2.00 for year
- Statutory combined ratio improves by 3.7 points in both the quarter and year
- Strong cash flow drives net investment income growth

HARLEYSVILLE, PA—February 23, 2006—Harleysville Group Inc. (NASDAQ: HGIC) today reported record diluted operating income of \$0.60 per share for the fourth quarter of 2005, compared to \$0.39 per share in the fourth quarter of 2004. For the 12-month periods, the company reported record diluted operating income of \$2.00 per share in 2005 and \$1.28 per share in 2004. Operating income is a non-GAAP financial measure defined by the company as net income excluding after-tax realized gains and losses on investments.

“We had a strong fourth quarter and we finished 2005 on a high note, with record operating earnings of \$0.60 per share for the quarter, and record operating earnings of \$2.00 per share for the year,” commented Michael L. Browne, Harleysville Group’s president and chief executive officer. “In addition, our statutory combined ratio improved by 3.7 points during both the quarter and the year. And, at year-end, we continued to maintain our solid capital base, strong balance sheet, modest debt-to-capital ratio, high-quality investment portfolio, premium-to-surplus ratio of 1.5:1 and strong cash flow. The strong performance and sound financial position we enjoy stem directly from the unwavering support and commitment of our employees and agency partners.”

The company reported diluted net income of \$0.60 per share in the fourth quarter of 2005, compared to \$0.39 per share in the fourth quarter of 2004. There were essentially no realized investment gains in the fourth quarter of either year. For the 12-month periods, diluted net income including realized gains was \$2.01 per share in 2005 and \$1.55 per share in 2004. For the 12 months, the company reported \$0.01 of realized investment gains in 2005, compared to \$0.27 per share in 2004. Harleysville Group’s fourth quarter 2005 results also reflect claims costs of \$2.5 million pretax, or \$0.05 per share after tax, from weather-related catastrophes, compared to a benefit of \$0.7 million pretax, or \$0.02 per share after tax, in the fourth quarter of 2004.

Harleysville Group’s overall statutory combined ratio* was 100.7 percent in the fourth quarter of 2005, compared to 104.4 percent in the fourth quarter of 2004. For the 12 months, the statutory combined ratio was 102.2 percent in 2005, versus 105.9 percent in 2004.

Fourth quarter net written premiums were \$198.4 million in 2005, compared to \$200.7 million in 2004. Net written premiums through 12 months were \$839.0 million in 2005 and \$839.7 million in 2004.

Fourth quarter pretax investment income increased 3 percent to \$23.2 million, while 12-month pretax investment income was up 4 percent to \$90.6 million. After-tax investment income grew 1 percent in the fourth quarter to \$17.6 million, and increased 2 percent to \$69.0 million during the 12-month period. Operating cash flow for the 12 months was \$165.1 million, compared to \$115.7 million in 2004.

Commercial lines Net written premiums in commercial lines were \$163.7 million in the fourth quarter of 2005, virtually unchanged from the same period in 2004. For the 12 months, net written premiums were up 2 percent to \$692.4 million. The commercial lines statutory combined ratio was 105.4 percent in the fourth quarter of 2005, versus 106.6 percent in the fourth quarter of 2004. For the 12 months, the statutory combined ratio was 104.3 percent in 2005, compared to 106.7 percent in 2004.

(more)

Harleysville Group fourth quarter results

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Personal lines Harleysville Group's personal lines statutory combined ratio was 78.4 percent in the fourth quarter of 2005, versus 94.8 percent during the fourth quarter of 2004. For the 12 months, the statutory combined ratio was 93.1 percent in 2005, compared to 102.8 percent in 2004. Net written premiums decreased 6 percent to \$34.8 million in the fourth quarter of 2005, and were down 9 percent to \$146.7 million through 12 months.

Outlook "As we announce these record earnings and our improved performance, I am pleased with the significant progress we have made toward successfully executing our strategic plan and achieving our 2006 goals of underwriting profitability—that is, producing an overall combined ratio under 100 percent—and a return on equity of at least 12 percent," Browne said. "To accomplish these important objectives, we will not compromise underwriting quality, but instead will work closely with our agency force to maintain our business discipline. In addition, we are committed to continuing to seek improvements in the efficiency and effectiveness of our organization to drive down our expense ratio and position our company for long-term success," Browne concluded.

Webcast The company will host a live Webcast today, February 23, 2006, 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).

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 56 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 Insurance—which distributes its products exclusively through independent insurance agencies and reflects that commitment to its agency force by being a Trusted Choice[®] 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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* "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.

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; changes in accounting principles; performance of the financial markets; fluctuations in interest rates; availability and price of reinsurance; and the status of the labor markets in which the company operates.

Harleysville Group Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS	Quarter ended December 31		Twelve months ended December 31	
(in thousands, except per share data)	2005	2004	2005	2004
OPERATING RESULTS				
Diluted earnings per common share:				
Operating income*	\$0.60	\$0.39	\$2.00	\$1.28
Realized gains, net of tax			0.01	0.27
Net income	\$0.60	\$0.39	\$2.01	\$1.55
Cash dividends per common share	\$0.175	\$0.17	\$0.69	\$0.68

FINANCIAL CONDITION	December 31, 2005	December 31, 2004
Assets	\$2,905,266	\$2,718,063
Shareholders' equity	\$614,383	\$587,924
Per common share	\$20.07	\$19.47

CONSOLIDATED STATEMENTS OF INCOME	Quarter ended December 31		Twelve months ended December 31	
(in thousands, except per share data)	2005	2004	2005	2004
REVENUES:				
Premiums earned	\$212,695	\$210,424	\$841,567	\$837,665
Investment income, net of investment expense	23,169	22,593	90,572	87,171
Realized investment gains	166	16	233	12,667
Other income	3,716	3,630	15,968	15,889
Total revenues	239,746	236,663	948,340	953,392
LOSSES AND EXPENSES:				
Losses and loss settlement expenses	136,453	151,895	567,396	605,660
Amortization of deferred policy acquisition costs	54,541	52,069	210,665	205,605
Other underwriting expenses	21,383	15,911	79,367	73,429
Interest expense	1,703	1,614	6,648	6,344
Other expenses	1,037	1,268	5,343	6,717
Total expenses	215,117	222,757	869,419	897,755
Income before income taxes	24,629	13,906	78,921	55,637
Income taxes	6,148	2,129	17,490	8,759
Net income	\$18,481	\$11,777	\$61,431	\$46,878
Weighted average number of shares outstanding:				
Basic	30,509,961	30,130,299	30,375,109	30,028,723
Diluted	30,821,299	30,321,688	30,585,913	30,154,253
Per common share:				
Basic earnings	\$0.61	\$0.39	\$2.02	\$1.56
Diluted earnings	\$0.60	\$0.39	\$2.01	\$1.55

RECONCILIATION TO OPERATING INCOME :				
Net income	\$18,481	\$11,777	\$61,431	\$46,878
Less realized investment gains, net of taxes	108	11	152	8,234
Operating income	\$18,373	\$11,766	\$61,279	\$38,644

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.

Harleysville Group Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

December 31, 2005* December 31, 2004

ASSETS

Investments:

 Fixed maturities:

 Held to maturity, at amortized cost (fair value \$437,887
 and \$519,400)

\$433,649

\$501,322

 Available for sale, at fair value (amortized cost \$1,374,559
 and \$1,156,640)

1,386,440

1,201,524

 Equity securities, at fair value (cost \$139,371 and \$110,495)

179,980

150,249

 Short-term investments, at cost, which approximates fair value

64,319

113,822

 Total investments

2,064,388

1,966,917

Cash

466

328

Premiums in course of collection

141,882

141,601

Reinsurance receivable

249,020

193,209

Accrued investment income

24,016

23,236

Deferred policy acquisition costs

104,173

100,755

Prepaid reinsurance premiums

34,256

32,675

Property and equipment, net

18,038

20,891

Deferred income taxes

63,357

53,137

Securities lending collateral

150,938

139,486

Due from affiliate

1,022

Other assets

53,710

45,828

 Total assets

\$2,905,266

\$2,718,063

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

 Unpaid losses and loss settlement expenses

\$1,480,802

\$1,317,735

 Unearned premiums

440,755

441,697

 Accounts payable and accrued expenses

99,888

99,098

 Securities lending obligation

150,938

139,486

 Debt

118,500

119,625

 Due to affiliate

12,498

 Total liabilities

2,290,883

2,130,139

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 32,008,142 and 31,589,474 shares;

 outstanding 30,610,233 and 30,191,565 shares

32,008

31,589

Additional paid-in capital

169,881

161,689

Accumulated other comprehensive income

20,288

42,051

Retained earnings

417,705

377,282

Deferred compensation

(1,012)

(200)

Treasury stock, at cost, 1,397,909 shares

(24,487)

(24,487)

 Total shareholders' equity

614,383

587,924

Total liabilities and shareholders' equity

\$2,905,266

\$2,718,063

*These financial figures are unaudited.

Harleysville Group Inc. and Subsidiaries

SUPPLEMENTARY FINANCIAL ANALYSTS' DATA

(dollars in thousands)	Quarter ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Net premiums written*	\$198,434	\$200,668	\$839,044	\$839,703
Statutory surplus*			\$566,802	\$509,301
Pretax investment income	\$23,169	\$22,593	\$90,572	\$87,171
Related federal income taxes	5,609	5,150	21,549	19,765
After-tax investment income	\$17,560	\$17,443	\$69,023	\$67,406

SEGMENT INFORMATION

(dollars in thousands)	Quarter ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Revenues:				
Premiums earned:				
Commercial lines	\$175,016	\$168,614	\$687,135	\$664,405
Personal lines	37,679	41,810	154,432	173,260
Total premiums earned	212,695	210,424	841,567	837,665
Net investment income	23,169	22,593	90,572	87,171
Realized investment gains	166	16	233	12,667
Other	3,716	3,630	15,968	15,889
Total revenues	\$239,746	\$236,663	\$948,340	\$953,392

Income before income taxes:

Underwriting gain (loss):				
Commercial lines	(\$5,326)	(\$9,539)	(\$31,066)	(\$49,062)
Personal lines	9,168	3,529	13,196	(977)
SAP underwriting (gain) loss	3,842	(6,010)	(17,870)	(50,039)
GAAP adjustments	(3,524)	(3,441)	2,009	3,010
GAAP underwriting gain (loss)	318	(9,451)	(15,861)	(47,029)
Net investment income	23,169	22,593	90,572	87,171
Realized investment gains	166	16	233	12,667
Other	976	748	3,977	2,828
Income before income taxes	\$24,629	\$13,906	\$78,921	\$55,637

Income taxes on net investment income	\$5,609	\$5,150	\$21,549	\$19,765
Income taxes (benefit) on remaining gain (loss)	539	(3,021)	(4,059)	(11,006)
Total income taxes	\$6,148	\$2,129	\$17,490	\$8,759

Effective tax rate on:

Net investment income	24.2%	22.8%	23.8%	22.7%
Net income	25.0%	15.3%	22.2%	15.7%

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.

Harleysville Group Inc. and Subsidiaries

STATUTORY DATA BY LINE OF BUSINESS*

(dollars in thousands)	Quarter ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Net premiums written:				
Commercial:				
Automobile	\$49,807	\$52,858	\$221,680	\$227,105
Workers' compensation	21,343	21,814	95,877	96,543
Commercial multi-peril	75,451	72,264	306,267	287,824
Other commercial	17,067	16,603	68,532	66,946
Total commercial	\$163,668	\$163,539	\$692,356	\$678,418
Personal:				
Automobile	\$18,117	\$20,294	\$78,787	\$90,947
Homeowners	14,572	14,716	59,175	61,108
Other personal	2,077	2,119	8,726	9,230
Total personal	\$34,766	\$37,129	\$146,688	\$161,285
Total personal and commercial	\$198,434	\$200,668	\$839,044	\$839,703
Combined ratios:				
Commercial:				
Automobile	102.2%	105.9%	101.1%	104.4%
Workers' compensation	128.9%	113.9%	124.0%	122.6%
Commercial multi-peril	100.1%	105.5%	101.5%	105.5%
Other commercial	106.0%	102.0%	98.7%	95.5%
Total commercial	105.4%	106.6%	104.3%	106.7%
Personal:				
Automobile	87.6%	113.3%	99.2%	113.9%
Homeowners	66.9%	76.0%	87.6%	87.5%
Other personal	70.0%	44.2%	72.3%	87.7%
Total personal	78.4%	94.8%	93.1%	102.8%
Total personal and commercial	100.7%	104.4%	102.2%	105.9%
Losses paid	\$123,508	\$131,919	\$461,915	\$536,711
Net catastrophe losses incurred	\$2,464	(\$725)	\$6,502	\$9,252

These financial figures are unaudited.

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