



For Release: Immediately
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HARLEYSVILLE GROUP REPORTS FIRST QUARTER RESULTS

HARLEYSVILLE, PA—APRIL 27, 2001—Harleysville Group Inc. (NASDAQ:HGIC), a holding company that includes nine regional property and casualty insurance companies, today reported its results for the first quarter of 2001.

First quarter diluted operating earnings increased 73 percent to \$0.38 per share in 2001, compared with \$0.22 per share in 2000. First quarter diluted net income per share rose 32 percent to \$0.33 in 2001, versus \$0.25 in 2000.

“The significant improvement in our earnings reflects continuing success in carrying out the triangular improvement plan we initiated in late 1999 to build greater margins into our risk portfolio, reunderwrite our commercial lines book of business and establish higher standards for our agency partners,” commented Walter R. Bateman, Harleysville Group’s chairman, president and chief executive officer.

Net income includes an after-tax diluted realized investment loss of \$0.05 per share in the first quarter of 2001, compared with a gain of \$0.03 per share in the first quarter of 2000. The realized losses in 2001 were primarily attributable to the write down of two securities in the company’s equity portfolio, as required by accounting rules.

First quarter 2000 results were impacted by the previously announced one-time, after-tax charge to earnings of approximately \$0.7 million (\$0.03 per diluted share) related to the streamlining of certain functions in the company’s field operations. Operating earnings in the first quarter of 2000 were also reduced by \$0.04 per share due to a mandated one-time refund of personal auto insurance premiums to North Carolina policyholders.

Harleysville Group’s statutory combined ratio for the first quarter of 2001 was 104.2 percent, compared with 111.6 percent in the first quarter of 2000, primarily reflecting improved pricing in commercial lines and low catastrophe activity. In 2000, the North Carolina premium refund added 1.2 points to the combined ratio, while the field office restructuring added 0.7 points.

Total revenues—which include realized investment gains and losses—increased 1 percent in the first quarter to \$200.3 million in 2001, compared with \$197.4 million in 2000.

First quarter pretax investment income declined 2 percent to \$21.3 million in 2001 from \$21.8 million in 2000. After-tax investment income for the first quarter also fell 2 percent to \$16.6 million in 2001 from \$17.0 million in 2000.

Earned premiums climbed 4 percent to \$177.3 million in the first quarter of 2001, compared with \$170.2 million in 2000. Net written premiums for the first quarter were up 12 percent to \$183.0 million from \$163.0 million in 2000. Commercial lines premiums were up 22 percent in the quarter, while personal lines premiums declined by 5 percent.

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“We are certainly pleased with the strong growth of our commercial lines business during the first quarter,” Bateman said. “During the first quarter of 2001, we attained average price increases of 11-12 percent on renewals, essentially matching the increases gained over the past 12 months. We also generated healthy growth in commercial lines new business in the first quarter.”

Shareholders' equity was \$570.7 million (\$19.56 per share) at March 31, 2001, compared with \$566.6 million (\$19.54 per share) at December 31, 2000.

The company will host a live Webcast today, Friday, April 27, 2001, at 9:00 a.m. (ET) to discuss the first quarter results. The Webcast will be available from the financial section of the company's Web site (www.harleysvillegroup.com). An archive of the presentation will be available until May 11, 2001, on the company's Web site.

Harleysville Group Inc. is a holding company that includes nine regional property and casualty insurance companies whose marketing territory encompasses 32 states primarily in the eastern half of the United States. The companies include: Great Oaks Insurance Company; Harleysville-Atlantic Insurance Company; Harleysville Insurance Company of New Jersey; Huron Insurance Company; Lake States Insurance Company; Mid-America Insurance Company; Minnesota Fire and Casualty Company; New York Casualty Insurance Company; and Worcester Insurance Company. Additionally, the company operates two limited partnerships: Harleysville Asset Management L.P. and Insurance Management Resources L.P.

Further information about Harleysville Group can be found on the company's Internet Web site (www.harleysvillegroup.com).

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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 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; natural catastrophe losses; competition in insurance product pricing; government regulation and changes therein which may impede the ability to charge adequate rates; 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.

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Harleysville Group Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS	Quarter ended March 31	
(in thousands, except per share data)	2001	2000
OPERATING RESULTS		
Diluted earnings per common share:		
Operating income	\$0.38	\$0.22
Realized gains (losses), net of tax	(0.05)	0.03
Net income	\$0.33	\$0.25
Cash dividend per common share	\$0.14	\$0.135

FINANCIAL CONDITION	March 31, 2001	December 31, 2000
Assets	\$2,011,175	\$2,021,862
Shareholders' equity	\$570,698	\$566,581
Per common share	\$19.56	\$19.54

CONSOLIDATED STATEMENTS OF INCOME	Quarter ended March 31	
(in thousands, except per share data)	2001	2000
REVENUES:		
Premiums earned	\$177,274	\$170,241
Investment income, net of investment expense	21,325	21,770
Realized investment gains (losses)	(2,353)	1,274
Other income	4,074	4,134
Total revenues	200,320	197,419
LOSSES AND EXPENSES:		
Losses and loss settlement expenses	126,509	127,491
Amortization of deferred policy acquisition costs	45,175	43,987
Other underwriting expenses	14,723	15,840
Interest expense	1,621	1,660
Other expenses	1,495	1,666
Total expenses	189,523	190,644
Income before income taxes	10,797	6,775
Income taxes (benefit)	1,079	(466)
Net income	\$9,718	\$7,241
Weighted average number of shares outstanding :		
Basic	29,137,261	28,900,561
Diluted	29,720,332	29,011,425
Per common share:		
Basic earnings	\$0.33	\$0.25
Diluted earnings	\$0.33	\$0.25

These financial figures are unaudited.

Harleysville Group Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

March 31, 2001 * December 31, 2000

ASSETS

Investments:

Fixed maturities:

Held to maturity, at amortized cost (fair value \$482,176 and \$578,662)	\$460,482	\$562,603
Available for sale, at fair value (amortized cost \$865,150 and \$800,954)	898,118	818,891
Equity securities, at fair value (cost \$123,580 and \$125,517)	169,353	193,750
Short-term investments, at cost, which approximates fair value	66,357	23,881
Total investments	1,594,310	1,599,125
Cash	17,329	28,395
Premiums in course of collection	105,353	101,511
Reinsurance receivable	77,445	76,841
Accrued investment income	20,618	23,316
Deferred policy acquisition costs	84,606	84,759
Prepaid reinsurance premiums	20,502	18,154
Property and equipment, net	27,307	27,621
Deferred income taxes	24,165	19,545
Other assets	39,540	42,595
Total assets	\$2,011,175	\$2,021,862

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Unpaid losses and loss settlement expenses	\$857,414	\$864,843
Unearned premiums	362,207	354,098
Accounts payable and accrued expenses	102,643	120,210
Debt	96,450	96,450
Due to affiliate	21,763	19,680
Total liabilities	1,440,477	1,455,281

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 30,174,963 and 30,001,852 shares; outstanding 29,174,963 and 29,001,852 shares	30,175	30,002
Additional paid-in capital	134,674	131,537
Accumulated other comprehensive income	51,182	56,010
Retained earnings	370,232	364,597
Treasury stock, at cost, 1,000,000 shares	(15,565)	(15,565)
Total shareholders' equity	570,698	566,581
Total liabilities and shareholders' equity	\$2,011,175	\$2,021,862

* These financial figures are unaudited.

Harleysville Group Inc. and Subsidiaries

SUPPLEMENTARY FINANCIAL ANALYSTS' DATA

(dollars in thousands)	Quarter ended March 31	
	2001	2000
Net premiums written	\$183,035	\$162,966
Statutory surplus	\$541,226	\$522,236
Pretax investment income	\$21,325	\$21,770
Related federal income taxes	4,730	4,744
After-tax investment income	\$16,595	\$17,026

SEGMENT INFORMATION

(dollars in thousands)	Quarter ended March 31	
	2001	2000
Revenues:		
Premiums earned:		
Commercial lines	\$116,458	\$108,023
Personal lines	60,816	62,218
Total premiums earned	177,274	170,241
Net investment income	21,325	21,770
Realized investment gains (losses)	(2,353)	1,274
Other	4,074	4,134
Total revenues	\$200,320	\$197,419

Income before income taxes :

Underwriting loss:		
Commercial lines	(\$3,195)	(\$7,898)
Personal lines	(6,087)	(9,221)
SAP underwriting loss	(9,282)	(17,119)
GAAP adjustments	149	42
GAAP underwriting loss	(9,133)	(17,077)
Net investment income	21,325	21,770
Realized investment gains (losses)	(2,353)	1,274
Other	958	808
Income before income taxes	\$10,797	\$6,775

Income taxes on net investment income	\$4,730	\$4,744
Income taxes on remaining loss	(3,651)	(5,210)
Total income taxes (benefit)	\$1,079	(\$466)

Effective tax rate on:

Net investment income	22.2%	21.8%
Net income	10.0%	-6.9%

These financial figures are unaudited.

Harleysville Group Inc. and Subsidiaries

STATUTORY DATA BY LINE OF BUSINESS

(dollars in thousands)	Quarter ended March 31	
	2001	2000
Net premiums written:		
Commercial:		
Automobile	\$41,042	\$33,632
Workers' compensation	32,390	26,440
Commercial multi-peril	44,469	37,156
Other commercial	10,396	8,095
Total commercial	\$128,297	\$105,323
Personal:		
Automobile	\$38,693	\$39,671
Homeowners	14,028	15,607
Other personal	2,017	2,365
Total personal	\$54,738	\$57,643
Total personal and commercial	\$183,035	\$162,966
Combined ratios:		
Commercial:		
Automobile	95.9%	110.6%
Workers' compensation	98.6%	103.1%
Commercial multi-peril	105.7%	110.9%
Other commercial	91.6%	102.3%
Total commercial	99.6%	108.2%
Personal:		
Automobile	111.6%	113.5%
Homeowners	122.6%	123.5%
Other personal	88.2%	138.1%
Total personal	113.4%	117.3%
Total personal and commercial	104.2%	111.6%
Losses paid	\$135,799	\$122,190
Net catastrophe losses incurred	\$797	\$2,406

These financial figures are unaudited.