



For Release: Immediately
Contact: Mark Cummins (Investors) 215.256.5025 mcummins@harleysvillegroup.com
Randy Buckwalter (Media) 215.256.5288 rbuckwalter@harleysvillegroup.com

HARLEYSVILLE GROUP REPORTS THIRD QUARTER 2007 RESULTS

Third quarter highlights:

- Record operating income of \$0.83 per share, up 20 percent
- Statutory combined ratio¹ improves by 2.6 points to 95.9 percent
- Operating return on equity grows to 14.0 percent
- Book value increases by 10 percent from one year ago to \$23.81 per share
- Repurchased 955,000 shares of common stock at a total cost of \$31 million
- Recognized by *InformationWeek* as a leading technology innovator

HARLEYSVILLE, PA—October 31, 2007—Harleysville Group Inc. (NASDAQ: HGIC) today reported record diluted operating income of \$0.83 per share for the third quarter of 2007, compared to \$0.69 per share in the third quarter of 2006. For the nine-month periods, the company reported diluted operating income of \$2.34 per share in 2007 and \$1.94 per share in 2006. In 2007, nine-month operating income includes a benefit of \$0.06 per share resulting from the gain on the company's sale of its office building in Traverse City, Mich., during the second quarter. 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.

"Harleysville Group delivered another strong financial performance in the third quarter, as we posted our 11th straight quarter of double-digit percentage growth in operating income," commented Michael L. Browne, Harleysville Group's president and chief executive officer. "Our operating earnings per share increased by 20 percent to a record \$0.83, and our third quarter statutory combined ratio improved by 2.6 points to 95.9 percent. With that improvement in underwriting profitability, our GAAP operating return on equity also grew to 14.0 percent. At the same time, we continue to maintain our solid capital base and strong balance sheet, a modest debt-to-capital ratio of 14 percent², a high-quality investment portfolio, and a premium-to-surplus ratio of 1.3 to 1.

"From an operations perspective, our use of predictive modeling puts us in a strong competitive position," Browne continued. "A disciplined approach to underwriting is critically important, and predictive modeling provides us with a powerful tool to compete effectively for the quality business opportunities our agents bring to us. On the technology front, we have successfully launched our new commercial and personal lines policy administration systems. And, as we continue to roll out these platforms during the balance of this year and throughout 2008, we are confident we will continue to take significant strides forward in our efforts to ensure we make it as easy as possible for our agents to do business with Harleysville. We're pleased that *InformationWeek* recently recognized us as one of the top 100 technology innovators among all U.S. companies. And, at #23, we were the highest-ranked property/casualty insurance company on their list. We are focused on being a leader in technology, which we believe will clearly differentiate us from many of our peers, as well as put us in a strong position to compete effectively in all types of market conditions."

(more)



Harleysville Group third quarter results

Page two

The company reported diluted net income of \$0.83 per share in the third quarter of 2007, compared to \$0.69 per share in the third quarter of 2006. There were no realized gains in the third quarter of either year. For the nine-month periods, diluted net income was \$2.37 per share in 2007 and \$2.81 per share in 2006. For the nine months, the company reported \$0.03 per share of realized investment gains in 2007, compared to \$0.84 per share in 2006. The first nine months of 2006 also included 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.

Third quarter net written premiums were \$208.2 million in 2007, compared to \$207.3 million in the same period in 2006. Net written premiums through nine months were \$634.4 million in 2007 and \$635.2 million in 2006.

Harleysville Group's overall statutory combined ratio was 95.9 percent in the third quarter of 2007, compared to 98.5 percent in the third quarter of 2006. For the nine months, the statutory combined ratio was 96.7 percent in 2007, versus 98.8 percent in 2006.

Third quarter pretax investment income increased 4 percent to \$27.5 million, while after-tax investment income grew 2 percent in the third quarter to \$19.6 million. For the nine months, pretax investment income was up 10 percent to \$82.8 million, while after-tax investment income rose 6 percent to \$59.2 million. Operating cash flow through nine months was \$127.1 million, compared to \$114.0 million in the first nine months of 2006.

Commercial lines Net written premiums in commercial lines were \$168.7 million in the third quarter of 2007, which is unchanged from the same period in 2006. For the nine months, net written premiums also were virtually unchanged at \$524.5 million. The commercial lines statutory combined ratio was 97.2 percent in the third quarter of 2007, versus 99.5 percent in the third quarter of 2006. For the nine months, the statutory combined ratio was 97.5 percent in 2007, compared to 100.4 percent in 2006.

Personal lines Net written premiums in personal lines increased by 2 percent to \$39.5 million in the third quarter of 2007. For the nine months, net written premiums rose by 1 percent to \$109.9 million. Harleysville Group's personal lines statutory combined ratio was 89.6 percent in the third quarter of 2007, versus 93.6 percent during the third quarter of 2006. For the nine months, the statutory combined ratio was 93.2 percent in 2007, compared to 91.2 percent in 2006.

Outlook "Through the balance of 2007 and beyond, we will remain focused on the basics of our business as we seek to continue to consistently produce the quality results we are reporting today—strong 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. "At the same time, we will continue to fully leverage predictive modeling so that we can more profitably underwrite our agents' best business, we will continue to build upon our new technology because of the important ease of doing business it provides for our agents, and we will continue to strengthen the already strong partnerships with our agents by taking greater advantage of our regional field structure, which continues to push resources and decision-making closer to the point of sale. These are just a few of the important differentiators that set us apart from our competition and position us well for future earnings growth."

Webcast The company will host a live Webcast tomorrow, Nov. 1, 2007, at 8 a.m. (ET) to discuss its third quarter results. The Webcast and a replay will be available from the Investors section of the company's Web site (www.harleysvillegroup.com).

(more)

Harleysville Group third quarter results

Page three

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 was listed recently as #23 in the *InformationWeek* 500, the publication’s annual listing of the most innovative information technology organizations in the U.S., and was the highest-ranked property and casualty insurer on the 2007 list. Harleysville Mutual Insurance Company owns 53 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, and was one of 3 percent of public companies recognized with a 2007 Merger 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[®] 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.

#####

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.

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.

#07-47

10/31/07b

Harleysville Group Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS	Quarter ended September 30		Nine months ended September 30	
(in thousands, except per share data)	2007	2006	2007	2006
OPERATING RESULTS				
Diluted earnings per common share:				
Operating income*	\$0.83	\$0.69	\$2.34	\$1.94
Realized gains, net of income taxes			0.03	0.84
Cumulative effect of accounting change, net of income taxes				0.03
Net income	\$0.83	\$0.69	\$2.37	\$2.81
Cash dividends per common share	\$0.25	\$0.19	\$0.63	\$0.54
FINANCIAL CONDITION				
	September 30, 2007		December 31, 2006	
Assets	\$3,030,855		\$2,990,984	
Shareholders' equity	\$721,513		\$712,162	
Per common share	\$23.81		\$22.49	

CONSOLIDATED STATEMENTS OF INCOME	Quarter ended September 30		Nine months ended September 30	
(in thousands, except per share data)	2007	2006	2007	2006
REVENUES:				
Premiums earned	\$210,541	\$210,409	\$623,314	\$628,074
Investment income, net of investment expense	27,470	26,388	82,814	75,330
Realized investment gains	35	138	1,337	40,420
Other income	4,023	4,188	13,842	13,374
Total revenues	242,069	241,123	721,307	757,198
LOSSES AND EXPENSES:				
Losses and loss settlement expenses	129,718	133,324	392,280	404,362
Amortization of deferred policy acquisition costs	52,229	53,735	156,078	159,806
Other underwriting expenses	20,273	20,431	56,853	59,986
Interest expense	1,783	1,749	5,337	5,190
Other expenses	1,026	1,407	3,639	3,762
Total expenses	205,029	210,646	614,187	633,106
Income before income taxes and cumulative effect of accounting change	37,040	30,477	107,120	124,092
Income taxes	11,458	8,685	32,201	36,862
Income before cumulative effect of accounting change	25,582	21,792	74,919	87,230
Cumulative effect of accounting change, net of income taxes				942
Net income	\$25,582	\$21,792	\$74,919	\$88,172
Weighted average number of shares outstanding:				
Basic	30,257,515	31,116,039	31,177,064	30,864,293
Diluted	30,689,128	31,714,104	31,621,037	31,323,368
Per common share:				
Basic earnings before cumulative effect of accounting change	\$0.85	\$0.70	\$2.40	\$2.83
Basic cumulative effect of accounting change				\$0.03
Basic earnings	\$0.85	\$0.70	\$2.40	\$2.86
Diluted earnings before cumulative effect of accounting change	\$0.83	\$0.69	\$2.37	\$2.78
Diluted cumulative effect of accounting change				\$0.03
Diluted earnings	\$0.83	\$0.69	\$2.37	\$2.81

RECONCILIATION TO OPERATING INCOME :				
Net income	\$25,582	\$21,792	\$74,919	\$88,172
Less cumulative effect of accounting change, net of income taxes				942
Less realized investment gains, net of income taxes	22	90	869	26,274
Operating income	\$25,560	\$21,702	\$74,050	\$60,956

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.

Harleysville Group Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

September 30, 2007* December 31, 2006

ASSETS

Investments:

Fixed maturities:

Held to maturity, at amortized cost (fair value \$327,732 and \$381,835)	\$328,001	\$382,457
--	-----------	-----------

Available for sale, at fair value (amortized cost \$1,775,652 and \$1,717,651)	1,778,573	1,722,874
--	-----------	-----------

Equity securities, at fair value (cost \$65,496 and \$62,932)	78,544	71,446
---	--------	--------

Short-term investments, at cost, which approximates fair value	116,034	72,237
--	---------	--------

Total investments	2,301,152	2,249,014
--------------------------	------------------	------------------

Cash	706	227
------	-----	-----

Premiums in course of collection	145,499	147,445
----------------------------------	---------	---------

Reinsurance receivable	168,372	167,199
------------------------	---------	---------

Accrued investment income	25,297	25,823
---------------------------	--------	--------

Deferred policy acquisition costs	103,529	102,317
-----------------------------------	---------	---------

Prepaid reinsurance premiums	39,642	37,242
------------------------------	--------	--------

Property and equipment, net	13,471	16,690
-----------------------------	--------	--------

Deferred income taxes	50,456	60,643
-----------------------	--------	--------

Securities lending collateral	122,275	124,755
-------------------------------	---------	---------

Due from affiliate	9,612	5,716
--------------------	-------	-------

Other assets	50,844	53,913
--------------	--------	--------

Total assets	\$3,030,855	\$2,990,984
---------------------	--------------------	--------------------

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Unpaid losses and loss settlement expenses	\$1,535,776	\$1,493,645
--	-------------	-------------

Unearned premiums	457,225	443,738
-------------------	---------	---------

Accounts payable and accrued expenses	75,566	98,184
---------------------------------------	--------	--------

Securities lending obligation	122,275	124,755
-------------------------------	---------	---------

Debt	118,500	118,500
------	---------	---------

Total liabilities	2,309,342	2,278,822
--------------------------	------------------	------------------

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 33,533,617 and 33,060,600 shares; outstanding 30,308,100 and 31,662,691 shares	33,534	33,061
--	--------	--------

Additional paid-in capital	209,243	197,607
----------------------------	---------	---------

Accumulated other comprehensive income	2,001	14
--	-------	----

Retained earnings	561,164	505,967
-------------------	---------	---------

Treasury stock, at cost, 3,225,517 and 1,397,909 shares	(84,429)	(24,487)
---	----------	----------

Total shareholders' equity	721,513	712,162
-----------------------------------	----------------	----------------

Total liabilities and shareholders' equity	\$3,030,855	\$2,990,984
---	--------------------	--------------------

*These financial figures are unaudited.

Harleysville Group Inc. and Subsidiaries

SUPPLEMENTARY FINANCIAL ANALYSTS' DATA

(dollars in thousands)	Quarter ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Net premiums written*	\$208,231	\$207,324	\$634,402	\$635,150
Statutory surplus*			\$646,916	\$631,541
Pretax investment income	\$27,470	\$26,388	\$82,814	\$75,330
Related federal income taxes	7,827	7,219	23,640	19,681
After-tax investment income	\$19,643	\$19,169	\$59,174	\$55,649

SEGMENT INFORMATION

(dollars in thousands)	Quarter ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Revenues:				
Premiums earned:				
Commercial lines	\$174,119	\$173,941	\$515,994	\$518,753
Personal lines	36,422	36,468	107,320	109,321
Total premiums earned	210,541	210,409	623,314	628,074
Net investment income	27,470	26,388	82,814	75,330
Realized investment gains	35	138	1,337	40,420
Other	4,023	4,188	13,842	13,374
Total revenues	\$242,069	\$241,123	\$721,307	\$757,198

Income before income taxes and cumulative effect of accounting change:

Underwriting gain (loss):				
Commercial lines	\$6,733	\$2,793	\$10,070	(\$4,743)
Personal lines	2,792	1,540	6,475	9,799
SAP underwriting gain	9,525	4,333	16,545	5,056
GAAP adjustments	(1,204)	(1,414)	1,558	(1,136)
GAAP underwriting gain	8,321	2,919	18,103	3,920
Net investment income	27,470	26,388	82,814	75,330
Realized investment gains	35	138	1,337	40,420
Other	1,214	1,032	4,866	4,422
Income before income taxes and cumulative effect of accounting change	\$37,040	\$30,477	\$107,120	\$124,092

Income taxes on net investment income	\$7,827	\$7,219	\$23,640	\$19,681
Income taxes on remaining gain before cumulative effect of accounting change	3,631	1,466	8,561	17,181
Total income taxes on income before cumulative effect of accounting change	\$11,458	\$8,685	\$32,201	\$36,862

Effective tax rate on:

Net investment income	28.5%	27.4%	28.5%	26.1%
Income before cumulative effect of accounting change	30.9%	28.5%	30.1%	29.7%

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 September 30		Nine months ended September 30	
	2007	2006	2007	2006
Net premiums written:				
Commercial:				
Automobile	\$46,690	\$48,736	\$148,280	\$157,828
Workers' compensation	24,656	24,910	74,940	74,020
Commercial multi-peril	77,641	77,357	243,628	240,574
Other commercial	19,700	17,480	57,685	53,994
Total commercial	\$168,687	\$168,483	\$524,533	\$526,416
Personal:				
Automobile	\$18,310	\$18,698	\$52,618	\$54,853
Homeowners	18,868	17,941	50,417	47,370
Other personal	2,366	2,202	6,834	6,511
Total personal	\$39,544	\$38,841	\$109,869	\$108,734
Total personal and commercial	\$208,231	\$207,324	\$634,402	\$635,150
Statutory combined ratios:				
Commercial:				
Automobile	95.8%	100.2%	93.8%	99.5%
Workers' compensation	112.8%	116.1%	112.3%	117.3%
Commercial multi-peril	96.2%	98.3%	98.5%	99.8%
Other commercial	85.4%	80.8%	83.6%	83.3%
Total commercial	97.2%	99.5%	97.5%	100.4%
Personal:				
Automobile	90.7%	99.5%	97.4%	99.9%
Homeowners	89.6%	90.3%	90.5%	83.5%
Other personal	80.7%	65.4%	79.0%	68.0%
Total personal	89.6%	93.6%	93.2%	91.2%
Total personal and commercial statutory combined ratio	95.9%	98.5%	96.7%	98.8%
GAAP combined ratio	96.0%	98.6%	97.1%	99.4%
Losses paid	\$114,397	\$113,732	\$350,418	\$331,880
Net catastrophe losses incurred	\$1,250	\$4,019	\$7,825	\$11,074

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.