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HARLEYSVILLE GROUP REPORTS FIRST QUARTER 2004 RESULTS

HARLEYSVILLE, PA—APRIL 30, 2004—Harleysville Group Inc. (Nasdaq: HGIC) today reported diluted net income of \$0.55 per share in the first quarter of 2004. The company had a diluted net loss of \$0.11 per share in the first quarter of 2003. Realized investment gains amounted to \$0.27 per share in the first quarter of 2004, compared to a \$0.01 per share realized loss in the first quarter of 2003. There was no material reserve development in the first quarter of 2004. In 2003, the company's first quarter earnings were reduced by \$0.43 per share after tax due to a workers compensation reserve adjustment.

The company reported diluted operating income of \$0.28 per share for the first quarter of 2004, compared to a diluted operating loss of \$0.10 per share in the same period of 2003. 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 have improved our financial performance, but we're just getting started," commented Michael L. Browne, Harleysville Group's chief executive officer. "We are significantly sharpening our focus on four areas—underwriting, claims, service to agents and policyholders, and productivity—the cornerstones of our business that have the greatest impact on our near-term performance and position us well for sustainable growth and profitability in the future."

Harleysville Group's overall statutory combined ratio* was 107.2 percent in the first quarter of 2004, compared to 115.4 percent in the first quarter of 2003. In 2003, the workers compensation reserve adjustment added 10.0 points to the combined ratio.

First quarter net written premiums were \$206.0 million in the first quarter of 2004, compared to \$215.3 million in 2003.

First quarter pretax investment income increased 1 percent to \$21.6 million, while after-tax investment income rose 2 percent to \$16.8 million. Operating cash flow for the first quarter was \$11.2 million.

Commercial lines Net written premiums in commercial lines declined 1 percent in the first quarter of 2004 to \$168.2 million. The commercial lines statutory combined ratio was 104.7 percent in the first quarter of 2004, versus 114.1 percent in the first quarter of 2003. In 2003, the workers compensation reserve adjustment added 13.4 points to the quarter's commercial lines statutory combined ratio.

Personal lines Harleysville Group's personal lines statutory combined ratio was 116.2 percent in the first quarter of 2004, versus 119.3 percent during the first quarter of 2003. In 2003, higher catastrophe losses contributed to the higher statutory combined ratio. Net written premiums were down 15 percent to \$37.8 million in the first quarter of 2004.

(more)

Outlook “I am very encouraged by our core strengths—a strong balance sheet, a great franchise, a solid and loyal network of independent agents, and employees who every day are engaged in active dialogue with me on ways to improve the fundamentals of our business,” said Browne. “We are looking at our business and executing our strategy in a new and much more disciplined way. I am confident we will restore our company to its past high levels of financial performance.”

Webcast The company will host a live Webcast today, Friday, April 30, 2004, at 9:00 a.m. (ET) to discuss its first quarter results. The Webcast will be available from the Investors section of the company’s Web site (www.harleysvillegroup.com) and will be archived on the Web site until April 30, 2005.

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 goal setting, determining employee and senior management compensation, and evaluating performance.

Corporate profile Harleysville Insurance is a premier provider of insurance products and services for small businesses and individuals, and ranks among the top 60 U.S. property/casualty insurance groups based on net written premiums. Harleysville Mutual Insurance Company owns 57 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, 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 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 March 31	
(in thousands, except per share data)	2004	2003
OPERATING RESULTS		
Diluted earnings (loss) per common share:		
Operating income (loss)*	\$0.28	(\$0.10)
Realized gains (losses), net of tax	0.27	(0.01)
Net income (loss)	\$0.55	(\$0.11)
Cash dividend per common share	\$0.17	\$0.165

FINANCIAL CONDITION	March 31, 2004	December 31, 2003
Assets	\$2,681,227	\$2,680,389
Shareholders' equity	\$590,059	\$572,747
Per common share	\$19.69	\$19.16

CONSOLIDATED STATEMENTS OF INCOME (LOSS)	Quarter ended March 31	
(in thousands, except per share data)	2004	2003
REVENUES:		
Premiums earned	\$206,948	\$198,829
Investment income, net of investment expense	21,642	21,447
Realized investment gains (losses)	12,488	(433)
Other income	4,564	4,520
Total revenues	245,642	224,363
LOSSES AND EXPENSES:		
Losses and loss settlement expenses	151,110	163,759
Amortization of deferred policy acquisition costs	50,688	48,317
Other underwriting expenses	19,638	18,557
Interest expense	1,577	1,394
Other expenses	1,419	1,211
Total expenses	224,432	233,238
Income (loss) before income taxes	21,210	(8,875)
Income taxes (benefit)	4,717	(5,635)
Net income (loss)	\$16,493	(\$3,240)
Weighted average number of shares outstanding:		
Basic	29,960,760	29,987,316
Diluted	30,048,135	29,987,316
Per common share:		
Basic earnings (loss)	\$0.55	(\$0.11)
Diluted earnings (loss)	\$0.55	(\$0.11)

RECONCILIATION TO OPERATING INCOME (LOSS) :		
Net income (loss)	\$16,493	(\$3,240)
Less realized investment gains (losses), net of taxes	8,117	(282)
Operating income (loss)	\$8,376	(\$2,958)

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)

March 31, 2004* December 31, 2003

ASSETS

Investments:

 Fixed maturities:

 Held to maturity, at amortized cost (fair value \$490,469
 and \$467,485)

\$460,615

\$439,613

 Available for sale, at fair value (amortized cost \$1,160,672
 and \$1,183,158)

1,233,870

1,246,019

 Equity securities, at fair value (cost \$108,599 and \$97,189)

142,705

137,590

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

68,691

31,411

 Total investments

1,905,881

1,854,633

Cash

1,782

13,430

Premiums in course of collection

138,258

140,674

Reinsurance receivable

178,020

164,841

Accrued investment income

21,220

23,086

Deferred policy acquisition costs

98,884

99,033

Prepaid reinsurance premiums

29,781

30,899

Property and equipment, net

23,095

23,824

Deferred income taxes

40,801

43,020

Securities lending collateral

186,570

221,454

Other assets

56,935

65,495

 Total assets

\$2,681,227

\$2,680,389

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

 Unpaid losses and loss settlement expenses

\$1,251,877

\$1,219,977

 Unearned premiums

435,842

437,883

 Accounts payable and accrued expenses

93,407

91,999

 Securities lending obligation

186,570

221,454

 Debt

120,145

120,145

 Due to affiliate

3,327

16,184

 Total liabilities

2,091,168

2,107,642

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 31,368,464 and 31,298,532 shares;
 outstanding 29,970,555 and 29,900,623 shares

31,368

31,299

Additional paid-in capital

158,062

156,997

Accumulated other comprehensive income

63,078

60,450

Retained earnings

362,238

350,844

Deferred compensation

(200)

(2,356)

Treasury stock, at cost, 1,397,909 and 1,000,000 shares

(24,487)

(24,487)

 Total shareholders' equity

590,059

572,747

Total liabilities and shareholders' equity

\$2,681,227

\$2,680,389

* These financial figures are unaudited.

Harleysville Group Inc. and Subsidiaries

SUPPLEMENTARY FINANCIAL ANALYSTS' DATA

(dollars in thousands)	Quarter ended March 31	
	2004	2003
Net premiums written*	\$206,026	\$215,283
Statutory surplus *	\$488,264	\$493,404
Pretax investment income	\$21,642	\$21,447
Related federal income taxes	4,864	4,973
After-tax investment income	\$16,778	\$16,474

SEGMENT INFORMATION

(dollars in thousands)	Quarter ended March 31	
	2004	2003
Revenues:		
Premiums earned:		
Commercial lines	\$162,320	\$148,749
Personal lines	44,628	50,080
Total premiums earned	206,948	198,829
Net investment income	21,642	21,447
Realized investment gains (losses)	12,488	(433)
Other	4,564	4,520
Total revenues	\$245,642	\$224,363

Income (loss) before income taxes :

Underwriting loss:		
Commercial lines	(\$9,648)	(\$28,006)
Personal lines	(4,860)	(7,894)
SAP underwriting loss	(14,508)	(35,900)
GAAP adjustments	20	4,096
GAAP underwriting loss	(14,488)	(31,804)
Net investment income	21,642	21,447
Realized investment gains (losses)	12,488	(433)
Other	1,568	1,915
Income (loss) before income taxes	\$21,210	(\$8,875)

Income taxes on net investment income	\$4,864	\$4,973
Income tax on remaining loss	(147)	(10,608)
Total income taxes (benefit)	\$4,717	(\$5,635)

Effective tax rate on:

Net investment income	22.5%	23.2%
Net income	22.2%	63.5%

These financial figures are unaudited.

* Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and therefore is not reconciled to GAAP.

Harleystville Group Inc. and Subsidiaries

STATUTORY DATA BY LINE OF BUSINESS*

(dollars in thousands)	Quarter ended March 31	
	2004	2003
Net premiums written:		
Commercial:		
Automobile	\$56,761	\$55,243
Workers' compensation	26,740	32,773
Commercial multi-peril	68,198	64,812
Other commercial	16,481	17,709
Total commercial	\$168,180	\$170,537
Personal:		
Automobile	\$23,201	\$29,597
Homeowners	12,968	13,472
Other personal	1,677	1,677
Total personal	\$37,846	\$44,746
Total personal and commercial	\$206,026	\$215,283
 Combined ratios:		
Commercial:		
Automobile	103.1%	96.0%
Workers' compensation	122.9%	192.2%
Commercial multi-peril	105.1%	98.8%
Other commercial	81.7%	83.8%
Total commercial	104.7%	114.1%
Personal:		
Automobile	118.3%	117.5%
Homeowners	109.3%	124.0%
Other personal	147.6%	114.8%
Total personal	116.2%	119.3%
Total personal and commercial	107.2%	115.4%
Losses paid	\$134,060	\$128,637
Net catastrophe losses incurred	\$2,625	\$3,649

These financial figures are unaudited.

* Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and therefore is not reconciled to GAAP.