

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): January 25, 2006  
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HARLEYSVILLE GROUP INC.  
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(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.)
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355 Maple Avenue, Harleysville, Pennsylvania, ----- (Address of principal executive offices)	19438 ----- (Zip Code)
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(215) 256-5000  
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Registrant's telephone number, including area code

Not Applicable  
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(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 240.13

**ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT AND**

**ITEM 8.01 OTHER EVENTS.**

On January 25, 2006, the Board of Directors ("the Board") of Harleysville Group Inc. ("the Registrant") approved amendments to the following benefit plans:

- The Pension Plan of Harleysville Group Inc. and Associated Employers Amended and Restated as of January 1, 2003 (the "Pension Plan");
- The Harleysville Group Inc. Supplemental Retirement Plan (the "SERP");
- The Harleysville Group Inc. Extra Compensation Plan, now known as Harleysville Retirement Savings Plus Plan (the "Retirement Plan"); and
- The Harleysville Group Inc. Non-Qualified Excess Match Plan, now known as Harleysville Excess Contribution and Match Program (the "Excess Plan").

The Registrant announced the changes to the Pension Plan and the Retirement Plan in a press release dated January 26, 2006 which is attached as Exhibit 99.1.

In addition, the SERP was amended to "freeze" benefit accruals as of March 31, 2006. The SERP was also amended to comply with the requirements of Internal Revenue Code section 409A. The SERP was amended to specifically provide that the Board may not amend the Plan to accelerate payments from the SERP.

In connection with the changes to the Retirement Savings Plan, the Excess Plan was also amended as of January 1, 2006, to provide for a bi-weekly employer contribution of 5% of base salary paid that shall vest in accordance with the terms of the Retirement Plan.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

Exhibit 10.1 Harleysville Group Inc. Supplemental Retirement Plan Amended and Restated as of March 31, 2006.

Exhibit 10.2 Harleysville Group Inc. Non-Qualified Excess Contribution and Match Program Amended and Restated as of January 1, 2006.

Exhibit 99.1 Press Release dated January 26, 2006 of Harleysville Group Inc.

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

January 26, 2006

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

EXHIBIT INDEX

Exhibit No. -----	Description -----
Exhibit 10.1	Harleysville Group Inc. Supplemental Retirement Plan Amended and Restated as of March 31, 2006.
Exhibit 10.2	Harleysville Group Inc. Non-Qualified Excess Contribution and Match Program Amended and Restated as of January 1, 2006.
Exhibit 99.1	Press Release dated January 26, 2006 of Harleysville Group Inc. (furnished pursuant to Item 8.01 hereof).

**HARLEYSVILLE GROUP INC.  
SUPPLEMENTAL RETIREMENT PLAN**

**AMENDED AND RESTATED AS OF MARCH 31, 2006**

**ARTICLE I - PURPOSE**

This Supplemental Retirement Plan (hereinafter referred to as the "Plan") is intended to supplement the retirement benefits payable to certain management Employees of Harleysville Group Inc. (hereinafter the "Company"), from the Pension Plan of Harleysville Group Inc. and Associated Employees through a non-qualified unfunded deferred compensation plan. It is further intended that this Plan shall be a Plan that is made available only to a select group of management and highly compensated employees pursuant to the Employment Retirement Income Security Act of 1974.

**ARTICLE II - DEFINITIONS**

For the purposes of this Plan, the definitions found in the Company's qualified Pension Plan shall govern except that the following terms shall have the meanings set forth below:

(A) "Board" shall mean the Board of Directors of the Company.

(B) "Committee" shall mean the Compensation and Personnel Development Committee of the Board of Directors.

(C) "Compensation" shall mean, for Article V, average annual base salary during the most recent five years prior to retirement or March 31, 2006, whichever is earlier, and for Article VI, shall mean the average annual base salary, whether actually paid or deferred, and the average amount of all payments, whether actually paid or deferred, made pursuant to any annual incentive plan of the Company, during the most recent five years prior to retirement or March 31, 2006, whichever is earlier.

(D) "Pension Plan" means the qualified and funded defined benefit pension plan adopted by the Company as of January 1, 1953 and as amended thereafter from time to time.

(E) "Retirement" shall mean termination of employment under such circumstances that a Participant is entitled to an immediate benefit from the Pension Plan whether or not benefits commence on such date. As set forth in the Pension Plan, a disabled employee is entitled to accrue benefits under the Pension Plan until his or her Normal Retirement date. Notwithstanding the foregoing, the term "retirement" for the purposes of this plan only shall be deemed to include 1) termination of employment following a "change of control" as defined in section 409A of the Internal Revenue Code.

(F) Section 16 Officer shall mean the President or any individual designated by the Board of Directors as a Section 16 Officer.

(G) "Social Security Benefit" shall mean the benefit payable at age 65 for an age 65 employee. For retirement ages between 62 and 65, the Social Security Benefit will be the benefit payable at retirement age. For retirement prior to age 62, the Social Security Benefit will be the benefit payable at age 62 reduced by  $\frac{5}{9}$  of 1% for each month that the benefit commencement date precedes age 62.

### **ARTICLE III - ADMINISTRATION**

The responsibility for the implementation and administration of this Plan is delegated to the Committee. The Committee shall interpret the Plan and establish rules and regulations governing its administration. Any decision or action made or taken by the Committee, arising out of or in connection with the construction, administration, interpretation and effect of the Plan and of its rules and regulations, shall be conclusive and binding upon all Participants and any person claiming through or under any Participant, unless otherwise determined by the Board of Directors.

**ARTICLE IV - EFFECTIVE DATES**

The Plan was adopted as of January 1, 1992, amended and restated on May 25, 1994, and amended and restated on November 17, 1999, and amended and restated as of March 31, 2006.

**ARTICLE V - OFFSET FORMULA**

A. All employees of the Company who (1) were in paygrade 20 and above and in active employment on December 31, 1991 or (2) retired from the Company during the period January 1, 1989 through December 31, 1991 and were in paygrade 20 or above, shall be Participants in the Plan and eligible for benefits under the benefit formula set forth in Article VI.A; provided, however, that otherwise eligible employees who retired in the period January 1, 1989 through December 31, 1991 and received benefits under other specialized Company supplemental retirement programs are not eligible for participation in this Plan.

B. Upon his or her Retirement, a Participant meeting the qualifications of Article V.A shall be entitled to a benefit from this plan. The amount of the benefit shall be (1) the benefit that a Participant would have accrued upon the retirement under the Pension Plan formula(s) in effect on December 31, 1988 applicable to that Participant assuming that such formula(s) had stayed in effect until the Participant's Retirement, less (2) the benefit which the Participant has accrued upon Retirement under the Pension Plan formula in effect at the time of Retirement. All terms and conditions of the Pension Plan in effect on December 31, 1988 shall govern the benefit calculated under the formula(s) in effect on said date; provided, however, that it is further expressly intended that the calculation under (1) above shall not employ any limit on compensation required by Section 401(a)(17) of the Internal Revenue Code (or its equivalent) for qualified plans applicable to plan years commencing on or after January 1, 1989; and that any benefit so calculated

shall not be limited by the application of Section 415 of the Internal Revenue Code (or its equivalent).

**ARTICLE VI - STEP-RATE FORMULA**

A. All employees of the Company who are in paygrade 20 and above or upon Retirement or on March 31, 2006, whichever is earlier, shall be Participants in the Plan and eligible for benefits under the benefit formula set forth in this Article VI.

B. Upon his or her Retirement, a Participant meeting the qualifications of this Article V.B may be entitled to a benefit from this Plan. The amount of the benefit shall be (1) the benefit that would have accrued at Retirement or at March 31, 2006, whichever is earlier, under the Pension Plan formula in effect on date of hire, without the application of any limitation on compensation pursuant to Section 401(a)(17) of the Internal Revenue Code (or its equivalent) and without the application of any limitation on benefits required by Section 415 of the Internal Revenue Code (or its equivalent) less (2) the benefit that the Participant has accrued upon Retirement under the Pension Plan formula in effect at the time of Retirement. Notwithstanding the foregoing, the maximum benefit ("Maximum Benefit") calculated under (1) shall be reduced, if necessary, in order that the sum of (a) the Social Security Benefit, (b) the benefits payable under the Pension Plan, and (c) the benefits payable under this Plan shall not exceed 1.85% of a Participant's Compensation times the years of service with the Company as of March 31, 2006, up to a maximum of 25 years.

C. The Maximum Benefit shall be reduced by the early retirement factors that apply under the Pension Plan step-rate formula which are (8%) per year from age 65 to age 62 and 4% per year thereafter.

D. Notwithstanding the foregoing, if an employee is a Section 16 Officer or has been such within the past two years, then the Maximum Benefit shall not be reduced under "C" above if the Participant has at least twenty

years of service and retires at or after age 62, and benefits shall be reduced by 4% per year if the Participant has at least 20 years of service and retires prior to age 62 but no earlier than age 60. The Social Security Benefit utilized in the determination of Maximum Benefit shall be the benefit payable at age 62. If the benefits under this Plan commence prior to age 62, the Social Security Benefit utilized shall be the benefit payable at 62, reduced by 5/9 of 1% for each month that the benefit commencement date precedes age 62. The Maximum Benefit shall further be reduced by 4% per year if retirement occurs prior to age 62 but no earlier than age 60.

**ARTICLE VII - ELIGIBILITY FOR BENEFITS UNDER ARTICLES V AND VI**

A Participant that qualifies for benefits under both Article V and VI receive the greater of the two benefits.

**ARTICLE VIII - PAYMENT OF BENEFITS**

Any benefits payable to a Participant under this Plan shall commence as of the date that benefits commence under the Pension Plan, be paid on the same payment schedule as payments under the Pension Plan, and shall be the same form of benefit selected under the Pension Plan, i.e., single life, joint and survivor, etc. The surviving beneficiary, if any, of a Participant shall be the same as under the Pension Plan. If an individual entitled to receive any benefits hereunder is determined by the Committee or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, they shall be paid to the duly appointed and acting guardian, if any, and if no such guardian is appointed and acting, to such persons as the Committee may designate. Such payment shall, to the extent made, be deemed a complete discharge for such payments under this Plan.

**ARTICLE IX - SOURCE OF BENEFITS**

Benefits under this Plan shall not be prefunded, but shall be payable by the Company when they become due from the general assets of the Company as provided herein, and the Participant's interest in his or her benefits under

this Plan (and the interest of any beneficiary) shall not be greater than that of an unsecured creditor of the Company. Any funds reserved by the Company to pay any benefits due hereunder shall not be considered as held in trust for the exclusive benefit of Participants. The Company only has a contractual obligation to make payment of the benefit when due.

#### **ARTICLE X - AMENDMENT AND TERMINATION**

The Board may at any time, or from time to time, amend this Plan in any respect or terminate this Plan without restriction and without consent of any Participant or beneficiary, provided, that any such amendment or termination shall not impair the right of any Participant or any surviving beneficiary of any then deceased Participant to receive benefits earned hereunder prior to such amendment or termination without the consent of such Participant or such surviving beneficiary and shall not accelerate payments. No beneficiary of a Participant shall have any right to benefits under this Plan or any other interest herein before becoming a surviving beneficiary.

#### **ARTICLE XI - PROHIBITION OF ALIENATION**

Any amounts accrued by a Participant hereunder may not be voluntarily or involuntarily assigned, anticipated, or alienated and shall not be subject to attachment, levy or encumbrance.

#### **ARTICLE XII - GOVERNING LAW**

The place of administration of this Plan shall be conclusively deemed to be within the Commonwealth of Pennsylvania and the validity, construction, interpretation, administration and effect of this Plan, and any of its rules and regulations, and the rights of any and all persons having or claiming to have an interest therein or thereunder, shall be governed by, and determined exclusively and solely in accordance with the laws of the Commonwealth of Pennsylvania.

#### **ARTICLE XIII - COSTS OF THE PLAN**

The expenses incurred in administering this Plan, including any Committee fees, any charges by the Company's independent auditors, or any other costs, shall be borne by the Company and shall not be charged against the benefit of any Participant.

**ARTICLE XIV - NO EMPLOYMENT CONTRACT**

Neither the establishment of this Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ of the Company, and all Participants shall remain subject to discharge to the same extent as if the Plan had never been adopted.

TO RECORD THE ADOPTION OF THIS PLAN, THE COMPANY HAS CAUSED ITS AUTHORIZED OFFICERS TO AFFIX THE CORPORATE NAME AND SEAL HERETO THIS 26TH DAY OF JANUARY, 2006.

HARLEYSVILLE GROUP INC.

By: /s/ Michael L. Browne

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Michael L. Browne  
President & CEO

ATTEST:

/s/ Robert A. Kauffman

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Robert A. Kauffman, Secretary

Exhibit 10.2

**HARLEYSVILLE GROUP INC.**  
**NON-QUALIFIED EXCESS CONTRIBUTION AND MATCH PROGRAM**

AMENDED AND RESTATED AS OF JANUARY 1, 2006

**ARTICLE I - PURPOSE**

This Non-Qualified Excess Contribution and Match Program (hereinafter referred to as the "Plan") permits certain employees of Harleysville Group Inc. (hereinafter the "Company"), through an unfunded non-qualified deferred compensation plan, to receive the full Company contribution and match that would otherwise have been available under the Harleysville Retirement Savings Plan (hereinafter " Retirement Plan") except for the fact that full contributions, deferrals and matches are not available to such Employees because of the limitations on contributions, deferrals and matches for such Employees in order to satisfy the Internal Revenue Code. The Plan has the further objective of attracting and retaining senior management personal of superior caliber and of affording them a means of participating in the overall success of the Company.

**ARTICLE II - DEFINITIONS**

For the purposes of this Plan, the definitions found in the Retirement Plan shall govern except as otherwise provided herein.

**ARTICLE III - ADMINISTRATION**

The responsibility for the implementation and administration of this Plan is delegated to the Harleysville Retirement Savings Plan Administrative Committee ("Committee").The Committee shall interpret the Plan and establish rules and regulations governing its administration. Any decision made or action taken by the Committee, arising out of or in connection with the construction, administration, interpretation and effect of the Plan and of its

rules and regulations, shall be conclusive and binding upon all Participants and any person claiming through or under any Participant, unless otherwise determined by the Board of Directors of the Company.

#### **ARTICLE IV - EFFECTIVE DATE**

The Plan became effective as of January 1, 1989, was amended and restated November 17, 1999, to be effective January 1, 2000, was amended and restated as of January 1, 2006, and shall continue until modified or repealed by the Board of Directors.

#### **ARTICLE V - PARTICIPATION**

Officers at paygrade 20 and above who may be eligible to participate in the Plan ("Participants").

#### **ARTICLE VI - CONTRIBUTION CREDITS**

At the end of each Plan Year under the Retirement Plan, a Participant shall be entitled to an "excess contribution," which is an amount equal to the sum of (1) the excess, if any, of (a) the matching percentage otherwise payable by the Company under the Retirement Plan to non-highly compensated employees times 6% of Participant's base salary and annual incentive bonus earned, whether or not actually paid to Participant or deferred for the Plan Year over (b) the amount of matching contribution that would have been credited to Participant's account in the Retirement Plan if Participant had made the maximum legally allowable deferral to the Retirement Plan for that year ("Matching Contribution") plus (2) the excess, if any, of (a) the non-matching contribution otherwise payable by the Company under the Retirement Plan to non-highly compensated Employees times the Participant's base salary earned whether or not actually paid to Participant or deferred for the Plan Year over (b) the amount of non-matching contribution to Participant's account in the Retirement Plan ("Non-Matching Contribution). The Participant's interest in the non-

matching contributions shall vest in accordance with the terms of the Retirement Plan.

**ARTICLE VII - PAYMENT OF EXCESS CONTRIBUTIONS**

The excess contributions shall be credited Participant's account established by the Company under the Company's Non-Qualified Deferred Compensation Plan.

**ARTICLE VIII - PARTICIPANT ACCOUNTS**

Any excess contributions credited hereunder shall be held in an account for the Participant as set forth in the Company's Non-Qualified Deferred Compensation Plan and governed by the provisions set forth therein.

**ARTICLE IX - PROHIBITION OF ALIENATION**

Any amounts credited to a Participant may not be voluntarily or involuntarily assigned, anticipated, or alienated and shall not be subject to attachment, levy or encumbrance. The right of the Participant to the said amounts shall be no greater than the right of any unsecured general creditor of the Company.

**ARTICLE X - GOVERNING LAW**

The place of administration of this Plan shall be conclusively deemed to be within the Commonwealth of Pennsylvania and the validity, construction, interpretation, administration and effect of this Plan, and any of its rules and regulations, and the rights of any and all persons having or claiming to have an interest therein or thereunder, shall be governed by, and determined exclusively and solely in accordance with the laws of the Commonwealth of Pennsylvania.

**ARTICLE XI - COSTS OF THE PLAN**

The expenses incurred in administering this Plan shall be borne by the Company and shall not be charged against the credits in each account.

**ARTICLE XII - NO EMPLOYMENT CONTRACT**

Neither the establishment of this Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ of the Company, and all Participants shall remain subject to discharge to the same extent as if the Plan had never been adopted.

TO RECORD THE AMENDMENT AND RESTATEMENT OF THIS PLAN, THE COMPANY HAS CAUSED ITS AUTHORIZED OFFICERS TO AFFIX THE CORPORATE NAME AND SEAL HERETO THIS 26th DAY OF JANUARY, 2006.

HARLEYSVILLE GROUP INC.

BY /s/ Michael L. Browne  
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Michael L. Browne  
President & CEO

WITNESSES:

/s/ Robert A. Kauffman  
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Robert A. Kauffman, Secretary

**HARLEYSVILLE GROUP ANNOUNCES CHANGES TO EMPLOYEE PENSION AND RETIREMENT PLANS**

HARLEYSVILLE, PA—January 26, 2006—Harleysville Group Inc. (NASDAQ: HGIC) today announced that it is changing its defined benefit pension plan and enhancing its employee retirement savings program. The announced changes, which will be fully implemented by April 1, 2006, are part of the company's continuing efforts to provide comprehensive and competitive compensation and benefits programs that are closely aligned with corporate performance, while adding greater predictability to its cost structure.

The changes include:

- **Freezing the company's defined benefit pension plan at current benefit levels.** The accrual of future benefits for eligible employees will cease on March 31, 2006, and all retirement benefits earned at that time will be fully preserved. Eligible employees not currently vested in the plan will become vested if they are employed by the company for a total of five qualifying years. These changes do not affect the company's current retirees or former employees with vested benefits.
- **Enhancing its 401(k) retirement savings plan.** The company is introducing its new "Harleysville Retirement Savings Plus" plan, which continues to offer employees the option to defer salary to a 401(k) account on a pre-tax basis, and will provide employees with a company contribution ranging from 5 percent to 12.5 percent of salary each year, depending on company results and employee contributions.

The Harleysville Retirement Savings Plus plan features:

- A "company core contribution" equal to 5 percent of salary, which automatically will be contributed to all eligible employees' accounts on a bi-weekly basis regardless of the employees' salary deferral amounts;
- The option for employees to make bi-weekly, pre-tax deferrals from 1 percent to 100 percent of salary (subject to annual federal limits);
- A "company guaranteed match" contribution equal to 50 percent of the first 6 percent of salary deferred by each employee; and
- A "company performance match" contribution that provides employees making salary deferrals the opportunity to receive an additional company match of up to 75 percent of the first 6 percent of salary deferred. A company performance match will be made when the company's operating return on equity\* exceeds 8 percent.

**Harleysville Group announces changes to employee pension and retirement plans  
Page two**

- **Ensuring 100 percent employee participation in the retirement savings plan.** A Harleysville Retirement Savings Plus account will be established for all eligible employees, effective April 1, 2006, to accept the automatic bi-weekly company contribution of 5 percent of salary. Employees hired after April 1, 2006, also will be enrolled automatically in the salary deferral component of the plan at the rate of 3 percent of salary, unless they opt out.

"These changes reflect Harleysville Group's ongoing efforts to strengthen the link between the company's compensation programs and its performance—both at the individual and at the corporate level—while expanding these programs to ensure that all employees have the opportunity to benefit financially from strong company performance," commented Michael L. Browne, Harleysville Group's

president and chief executive officer. "We made the decision to shift from a defined benefit pension plan to the Harleysville Retirement Savings Plus plan to add more predictability to the cost of our employee retirement program—and ultimately lower our overall expenses, which is important as we continue to focus on our long-term growth and profitability."

As a result of these changes, the company expects to reduce annualized operating expenses by approximately \$5 million.

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® member company—currently operates in 32 eastern and midwestern states. Further information can be found on the company's Web site at [www.harleysvillegroup.com](http://www.harleysvillegroup.com).

**\* Operating return on equity** is determined by dividing the after tax operating income for the taxable year of the company by its average stockholders' equity. Operating income is a non-GAAP financial measure defined by the company as net income excluding the after-tax realized gains and losses on investments. The average stockholders' equity is determined by calculating the average of the beginning and end of the year stockholders' equity, but excluding unrealized investment gains.

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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 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.

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