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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): February 23, 2006

HARLEYSVILLE GROUP INC.

-----  
(Exact name of registrant as specified in its charter)

Delaware	0-14697	51-0241172
----- (State or other jurisdiction of incorporation)	----- (Commission File Number)	----- (IRS Employer Identification No.)
355 Maple Avenue, Harleysville, Pennsylvania		19438
----- (Address of principal executive offices)		----- (Zip Code)

(215) 256-5000

-----  
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 240.13e-4c)

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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On February 23, 2006, Harleysville Group Inc. issued a press release reporting its fourth quarter and full year 2005 results (furnished hereunder as Exhibit 99.1 and incorporated herein).

The information provided in this Form 8-K, Item 2.02, Results of Operations and Financial Condition, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

In addition to disclosing results that are determined in accordance with U.S. generally accepted accounting principles (GAAP), the company also discloses non-GAAP information on operating earnings. Management believes information on operating earnings is useful to investors. Management has historically employed operating earnings as a valuable measurement of the underlying profitability of the Company's insurance operations since it excludes the impact of the Company's investment results.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit 99.1 Press release "Harleysville Group Reports Record Fourth Quarter and Year-End 2005 Results" dated February 23, 2006.

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

/s/Arthur E. Chandler  
-----  
Arthur E. Chandler  
Senior Vice President and  
Chief Financial Officer

February 23, 2006

EXHIBIT INDEX  
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Exhibit No.	Description
99.1	Press release dated February 23, 2006 of Harleysville Group Inc. (furnished pursuant to Item 2.02 hereof).

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., Feb. 23 /PRNewswire-FirstCall/ -- 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.

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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 (<http://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(R) company partner - currently operates in 32 eastern and midwestern states. Further information can be found on the company's Web site at <http://www.harleysvillegroup.com>.

\* "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.

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Harleysville Group Inc. and Subsidiaries				
FINANCIAL HIGHLIGHTS (in thousands, except per share data)	Quarter ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
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

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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

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CONSOLIDATED STATEMENTS OF INCOME (in thousands, except per share data)	Quarter ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
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

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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.

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Harleysville Group Inc. and Subsidiaries		
CONSOLIDATED BALANCE SHEETS (in thousands, except share data)	December 31, 2005*	December 31, 2004
<S>	<C>	<C>
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

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\* These financial figures are unaudited.

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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
<S>	<C>	<C>	<C>	<C>
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

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SEGMENT INFORMATION (dollars in thousands)	Quarter ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
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%

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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.

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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
<S>	<C>	<C>	<C>	<C>
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.

\* 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.

SOURCE Harleysville Group Inc.

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/CONTACT: Mark Cummins (Investors), +1-215-256-5025,  
mcummins@harleysvillegroup.com, or Randy Buckwalter (Media), +1-215-256-5288,  
rbuckwalter@harleysvillegroup.com, both of Harleysville Group/  
/Web site: <http://www.harleysvillegroup.com> /