



For Release: Immediately
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HARLEYSVILLE MUTUAL TO ACQUIRE DELTA LLOYDS FLOOD INSURANCE BUSINESS

HARLEYSVILLE, PA—OCTOBER 27, 2009—Harleysville Mutual Insurance Company and Delta Lloyds Insurance Company of Houston, Texas, have agreed to a transaction in which Harleysville will assume Delta's book of "Write Your Own" (WYO) flood business effective November 1, 2009. Delta General Agency Corporation, through its more than 500 retail flood agents, will represent Harleysville in much the same way it represented Delta Lloyds. As such, Delta General will continue to provide training, servicing and marketing support for flood insurance to those agents. Terms of the transaction were not disclosed.

"Since entering the WYO flood program in 1999, our goal has been to become a major participant in this fee-based segment of the insurance business," said Michael L. Browne, Harleysville's president and chief executive officer. "Through a combination of acquisitions and organic growth, we have increased our WYO flood book at a 14 percent compound annual rate since 2005. The Delta Lloyds transaction will increase our size and scale in this niche. More importantly, our agent partners tell us that flood insurance is a valuable part of the portfolio of products that they can offer to their clients."

Delta Lloyds, a participant in the WYO flood program since 1984, wrote approximately \$13.5 million in direct WYO flood premiums in Texas in 2008. Based on flood premiums alone, Delta Lloyds is the 23rd largest WYO flood carrier nationally and the 7th largest in Texas. Harleysville has participated in the WYO flood program since 1999, and wrote approximately \$82.6 million in direct flood premiums nationwide in 2008. Based on flood premiums alone, Harleysville ranks 11th nationally and 17th in Texas.

WYO flood claims are 100 percent reinsured by the federal government's National Flood Insurance Program.

Philo Smith & Co. served as Delta Lloyds' exclusive financial adviser in the transaction.

Harleysville Insurance is a leading super-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. As a Trusted Choice[®] company partner, Harleysville distributes its products exclusively through a network of independent agents primarily across 32 states. Harleysville was listed recently as #7 in the *InformationWeek* 500, the publication's annual listing of the most innovative information technology organizations in the U.S., and has been ranked on the list in each of the last three years. Harleysville Mutual Insurance Company owns 53 percent of Harleysville Group Inc. (NASDAQ: HGIC), a publicly traded holding company for eight regional property/casualty insurance companies collectively rated A- (Excellent) by A.M. Best Company. Harleysville Group is listed on the NASDAQ Global Select Market, which is comprised of the top third of all NASDAQ member companies and has the highest initial listing standards of any exchange in the world based on financial and liquidity requirements. Further information can be found on the company's Web site at www.harleysvillegroup.com.

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