

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089
		2012
		This Form is Open to Public Inspection

Part I	Annual Report Identification Information
For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☒ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information
1a Name of plan <u>PENSION OF HARLEYSVILLE GRP AND ASSOC EMPLOYERS</u>	1b Three-digit plan number (PN) ► <u>001</u> 1c Effective date of plan <u>01/01/1953</u>
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) <u>HARLEYSVILLE GROUP INC</u> <u>355 MAPLE AVENUE</u> <u>HARLEYSVILLE, PA 19438-2297</u>	2b Employer Identification Number (EIN) <u>51-0241172</u> 2c Sponsor's telephone number <u>215-256-5076</u> 2d Business code (see instructions) <u>524150</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>10/14/2013</u>	<u>MICHAEL SPARROW</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>10/10/2013</u>	<u>KAREN MACKE</u>
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)			Preparer's telephone number (optional)

3a Plan administrator's name and address ☒ Same as Plan Sponsor Name ☐ Same as Plan Sponsor Address		3b Administrator's EIN 3c Administrator's telephone number 																		
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name		4b EIN 4c PN																		
5 Total number of participants at the beginning of the plan year		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%; text-align: center;">5</td> <td style="width: 90%; text-align: right;">3953</td> </tr> </table>	5	3953																
5	3953																			
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="background-color: #cccccc; height: 20px;"></td> </tr> <tr> <td style="width: 10%; text-align: center;">6a</td> <td style="width: 90%; text-align: right;">0</td> </tr> <tr> <td style="text-align: center;">6b</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="text-align: center;">6c</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="text-align: center;">6d</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="text-align: center;">6e</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="text-align: center;">6f</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="text-align: center;">6g</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="text-align: center;">6h</td> <td style="text-align: right;">0</td> </tr> </table>			6a	0	6b	0	6c	0	6d	0	6e	0	6f	0	6g	0	6h	0
6a	0																			
6b	0																			
6c	0																			
6d	0																			
6e	0																			
6f	0																			
6g	0																			
6h	0																			
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%; text-align: center;">7</td> <td style="width: 90%;"></td> </tr> </table>	7																	
7																				
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 1A 1G 1I																				
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:																				
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor																			
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)																				
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☒ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)																			

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2012 This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>PENSION OF HARLEYSVILLE GRP AND ASSOC EMPLOYERS</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>HARLEYSVILLE GROUP INC</u>	D Employer Identification Number (EIN) <u>51-0241172</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information
1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2012</u>	
2 Assets:	
a Market value	2a <u>161790425</u>
b Actuarial value	2b <u>165718961</u>
3 Funding target/participant count breakdown:	
a For retired participants and beneficiaries receiving payment.....	3a <u>1235</u> <u>83219485</u>
b For terminated vested participants.....	3b <u>1669</u> <u>52557151</u>
c For active participants:	
(1) Non-vested benefits.....	3c(1) <u>874823</u>
(2) Vested benefits.....	3c(2) <u>45814200</u>
(3) Total active	3c(3) <u>1062</u> <u>46689023</u>
d Total	3d <u>3966</u> <u>182465659</u>
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)	☐
a Funding target disregarding prescribed at-risk assumptions	4a
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b
5 Effective interest rate	5 <u>7.07</u> %
6 Target normal cost.....	6 <u>0</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE		<u>10/09/2013</u>
Signature of actuary		Date
<u>JEFFREY A. REES</u>		<u>11-05941</u>
Type or print name of actuary		Most recent enrollment number
<u>DELOITTE CONSULTING LLP</u>		<u>313-396-2413</u>
Firm name		Telephone number (including area code)
<u>200 RENAISSANCE CENTER, SUITE 3900</u> <u>DETROIT, MI 48243-1895</u>		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

Part II Beginning of Year Carryover Prefunding Balances		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	0
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9	Amount remaining (line 7 minus line 8)	0	0
10	Interest on line 9 using prior year's actual return of <u>0.04</u> %		
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38a from prior year)		114592
b	Interest on (a) using prior year's effective interest rate of <u>6.34</u> % except as otherwise provided (see instructions)		7265
c	Total available at beginning of current plan year to add to prefunding balance		121857
d	Portion of (c) to be added to prefunding balance		0
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	0

Part III Funding Percentages			
14	Funding target attainment percentage	14	90.82 %
15	Adjusted funding target attainment percentage	15	90.82 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	74.82 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and Liquidity Shortfalls					
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
03/15/2012	2500000				
06/15/2012	2500000				
09/28/2012	1100000				
Totals ▶			18(b)	6100000	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
a Contributions allocated toward unpaid minimum required contributions from prior years.	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	5932671
20 Quarterly contributions and liquidity shortfalls:		
a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No		
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No		
c If line 20a is "Yes," see instructions and complete the following table as applicable:		
Liquidity shortfall as of end of quarter of this plan year		
(1) 1st	(2) 2nd	(3) 3rd
0		0
		0

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21	Discount rate:				
	a Segment rates:	1st segment: 5.54%	2nd segment: 6.85%	3rd segment: 7.52 %	☐ N/A, full yield curve used
	b Applicable month (enter code).....				21b 4
22	Weighted average retirement age				22 62
23	Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous Items

24	Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25	Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26	Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27	If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28	Unpaid minimum required contributions for all prior years	28	0
29	Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30	Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31	Target normal cost and excess assets (see instructions):		
	a Target normal cost (line 6)	31a	0
	b Excess assets, if applicable, but not greater than line 31a	31b	0
32	Amortization installments:	Outstanding Balance	Installment
	a Net shortfall amortization installment	16746698	5785785
	b Waiver amortization installment	0	0
33	If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34	Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	5785785
		Carryover balance	Prefunding balance
35	Balances elected for use to offset funding requirement.....	0	0
36	Additional cash requirement (line 34 minus line 35)	36	5785785
37	Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	5932671
38	Present value of excess contributions for current year (see instructions)		
	a Total (excess, if any, of line 37 over line 36)	38a	146886
	b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0
39	Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0
40	Unpaid minimum required contributions for all years.....	40	0

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41	If an election was made to use PRA 2010 funding relief for this plan:	
	a Schedule elected	☐ 2 plus 7 years ☐ 15 years
	b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011
42	Amount of acceleration adjustment	42
43	Excess installment acceleration amount to be carried over to future plan years	43

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2012
		This Form is Open to Public Inspection.

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012		
A Name of plan PENSION OF HARLEYSVILLE GRP AND ASSOC EMPLOYERS	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 HARLEYSVILLE GROUP INC	D Employer Identification Number (EIN) 51-0241172	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

DELOITTE

06-1454513

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
11	UNRELATED	37500	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III **Termination Information on Accountants and Enrolled Actuaries (see instructions)**
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2012 This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012		
A Name of plan PENSION OF HARLEYSVILLE GRP AND ASSOC EMPLOYERS	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 HARLEYSVILLE GROUP INC	D Employer Identification Number (EIN) 51-0241172	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	2400000	0
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)	275473	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	5314524	0
(2) U.S. Government securities.....	1c(2)	22626031	0
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)	17155684	0
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)	23764	0
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)	114138670	

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	161934146	0

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j	113181	
k Total liabilities (add all amounts in lines 1g through 1j)	1k	113181	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	161820965	0
---	-----------	-----------	---

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	6100000	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		6100000
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	-51	
(B) U.S. Government securities	2b(1)(B)	344881	
(C) Corporate debt instruments	2b(1)(C)	379583	
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)	375402	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		1099815
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	2994283	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		2994283
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	2330997	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	4253814	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		-1922817
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)	2477345	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		2477345

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		15910700
c Other income.....	2c		-21204
d Total income. Add all income amounts in column (b) and enter total.....	2d		26638122

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	9055387	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		9055387
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)	37500	
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		37500
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		9092887

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		17545235
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		179366200

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☐ Yes ☒ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **KPMG**

(2) EIN: **13-5565207**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....

	Yes	No	Amount
4a		X	
4b		X	

	Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		15000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....	X		
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....	X		
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.		X	

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
 If "Yes," enter the amount of any plan assets that reverted to the employer this year..... ☒ Yes ☐ No Amount: 0

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

NATIONWIDE RETIREMENT PLAN

5b(2) EIN(s)	5b(3) PN(s)
31-4177100	333

Part V Trust Information (optional)

6a Name of trust

6b Trust's EIN

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2012 This Form is Open to Public Inspection.
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan <u>PENSION OF HARLEYSVILLE GRP AND ASSOC EMPLOYERS</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>HARLEYSVILLE GROUP INC</u>	D Employer Identification Number (EIN) <u>51-0241172</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): _____ Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.	
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3 <u>13</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
--	-----------------------------------	-----------------------------------	-------------------------------	--

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%
- b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Financial Statements and Supplemental Schedules

December 31, 2012 and 2011

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

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(1) Schedule H, Line 4j – Schedule of Reportable Transactions (Series of Transactions)	10

All other supplemental schedules required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because there is nothing to report.



KPMG LLP
Suite 500
191 West Nationwide Blvd.
Columbus, OH 43215-2568

Independent Auditor's Report

The Administrative Committee
Pension Plan of Harleysville Group Inc. and Associated Employers:

We have audited the accompanying financial statements of the Pension Plan of Harleysville Group Inc. and Associated Employers (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Plan's net assets available for benefits as of December 31, 2012 and 2011, and changes therein for the years then ended, and its financial status as of December 31, 2012 and changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H, Line 4j – Schedule of Reportable Transactions (Series of Transactions) for the year ended December 31, 2012 is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Columbus, Ohio
September 18, 2013

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Statements of Net Assets Available for Benefits

	December 31,	
<i>(in thousands)</i>	2012	2011
Assets		
Investments:		
Fixed maturity securities, available-for-sale	\$ -	\$ 39,782
Investments in mutual funds	-	114,138
Other invested assets	-	24
Total investments	\$ -	\$ 153,944
Cash and cash equivalents	-	5,315
Contributions receivable	-	2,400
Other assets	-	275
Total assets	\$ -	\$ 161,934
Liabilities		
Accounts payable	\$ -	\$ 113
Total liabilities	\$ -	\$ 113
Net assets available for benefits	\$ -	\$ 161,821

See accompanying notes to financial statements.

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Statements of Changes in Net Assets Available for Benefits

<i>(in thousands)</i>	Year Ended December 31,	
	2012	2011
Investment income		
Net appreciation (depreciation) in fair value of investments	\$ 16,444	\$ (3,787)
Interest income	1,100	1,338
Dividend income	2,994	2,517
Total investment income	\$ 20,538	\$ 68
Contributions		
Employers	\$ 6,100	\$ 10,400
Total contributions	\$ 6,100	\$ 10,400
Benefits and expenses		
Benefits paid to participants and beneficiaries	\$ 9,055	\$ 8,474
Administrative expenses	38	-
Total benefits and expenses	\$ 9,093	\$ 8,474
Transfer to Nationwide Retirement Plan	(179,366)	-
Net (decrease) increase	\$ (161,821)	\$ 1,994
Net assets available for benefits		
Beginning of year	\$ 161,821	\$ 159,827
End of year	\$ -	\$ 161,821

See accompanying notes to financial statements.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

(1) Description of the Plan

The following description of the Pension Plan of Harleysville Group Inc. and Associated Employers ("the Plan") is provided for general information purposes only. Participants should refer to the Plan document for a complete description of the Plan.

General

The Plan is a defined benefit pension plan covering all eligible employees of Harleysville Group Inc. ("the Plan Sponsor") and Associated Employers ("Employers"). The Plan Sponsor froze the accrued benefits of the Plan as of March 31, 2006. At that time, the accrued benefit of each participant became nonforfeitable to the extent then funded. The net assets of the Plan will be allocated as prescribed by the terms and the provisions of the Plan in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended and its related regulations. In addition, the Plan was amended to allow individuals who were hired in 2005 to enter the Plan on March 31, 2006. The Plan is subject to the provisions of ERISA.

Pension Benefits

Employees with five or more years of service are entitled to annual pension benefits, beginning at normal retirement age (age 65). Prior to January 1, 1989, annual pension benefits were equal to 2.25% of final average compensation, less 2.00% of the annual primary Social Security benefit, multiplied by the number of years of service up to a maximum of 25. Effective January 1, 1989, the benefit formula became the greater of: (1) the accrued benefit as of December 31, 1988 based on the former formula; (2) 1.45% of the employees' final average compensation, up to and including a compensation level equal to covered compensation (the average of the Social Security wage bases for the 35-year period ending in the year the employee attains Social Security retirement age) multiplied by the number of years of service up to a maximum of 25, plus 1.95% of the employees' final average compensation exceeding the covered compensation, multiplied by the number of years of service up to a maximum of 25; or (3) the accrued benefit as calculated under a special transition formula for employees who worked for the Employers during the period January 1, 1988 through December 31, 1991 who otherwise had five years of vesting service.

Employees who terminate before rendering five years of eligible service forfeit the right to receive their portion of accumulated plan benefits. Employees receive their benefits as a life annuity payable monthly from their date of retirement.

Plan Merger

On May 1, 2012 Harleysville Mutual Insurance Company was merged into Nationwide Mutual Insurance Company. Effective December 31, 2012, in conjunction with the merger, the Plan merged with the Nationwide Retirement Plan ("NRP"). Accordingly, the associated net assets and benefits and obligations for eligible individuals were transferred to the NRP at this date. As a result, these net assets are reported in the NRP statement of net assets available for benefits as of December 31, 2012. Refer to Note 3 for discussion of the related benefits and obligations.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP").

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions affecting amounts reported in the financial statements and accompanying notes. Significant estimates include benefit obligations and certain investment valuations. Actual results may differ significantly from those estimates.

Contributions

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements. Contributions are recognized when due from the affiliated companies.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

Benefits

Benefits are included to the extent they are deemed attributable to employee service rendered through March 31, 2006. Benefits being provided via annuity contracts are excluded from plan assets and are excluded from accumulated plan benefits.

Investments

Purchases and sales of securities and the related realized gains and losses are recorded on the trade date. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date, reinvested and added to the participant accounts. In addition, investment income includes the realized and unrealized gains and losses on the Plan's investments and other income. These realized and unrealized gains and losses are recognized in net appreciation (depreciation) in fair value of investments in the statements of changes in net assets available for benefits.

Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect the Plan's view of market assumptions in the absence of observable market information. The Plan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In determining fair value, the Plan uses various methods including market, income and cost approaches.

The Plan categorizes its assets and liabilities into a three-level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

The Plan categorizes assets and liabilities held at fair value in the statement of net assets available for benefits as follows:

Level 1. Unadjusted quoted prices accessible in active markets for identical assets or liabilities at the measurement date and mutual funds where the value per share (unit) is determined and published daily and is the basis for current transactions.

Level 2. Unadjusted quoted prices for similar assets or liabilities in active markets or inputs (other than quoted prices) that are observable or that are derived principally from or corroborated by observable market data through correlation or other means.

Level 3. Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate about the assumptions market participants would use at the measurement date in pricing the asset or liability. Consideration is given to the risk inherent in both the method of valuation and the valuation inputs.

The Plan reviews its fair value hierarchy classifications for assets and liabilities quarterly. Changes in observability of significant valuation inputs identified during these reviews may trigger reclassifications. Reclassifications are reported as transfers at the beginning of the period in which the change occurs.

Administrative Expenses

In 2012, the Employers paid investment advisory fees and management fees on behalf of the Plan. All other administrative fees are the responsibility of the Plan.

In 2011, all administrative expenses related to the Plan were paid by the Employers.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

Pension Protection Act Funding Status

Starting with the 2008 plan year, Section 436 of the Internal Revenue Code ("IRC") requires the Plan to meet specified funding thresholds to pay lump sums or other accelerated distributions, provide continued benefit accruals, pay unpredictable contingent event benefits or implement amendments improving benefits. The Plan could be disqualified if it pays benefits in violation of the IRC Section 436 limitations, or if it fails to pay benefits provided under the terms of the Plan when they are not limited by IRC Section 436. The Adjusted Funding Target Attainment Percentage ("AFTAP") is the funded status measure used to determine which of these limitations, if any, apply to the Plan.

For the plan year beginning January 1, 2012, based on certain actuarial assumptions and financial data, and certain plan provisions, the Plan's actuaries certified that the Plan had an AFTAP ratio of 90.64%. Based on this ratio, the Plan, in 2012, was not subject to accelerated distribution limitations as defined by the Pension Protection Act of 2006. For the plan year beginning January 1, 2011, the Plan's actuaries certified that the Plan had an AFTAP ratio of 74.82%. As such, in 2011, the Plan was subject to accelerated distribution limitations.

Subsequent Events

The Plan evaluated subsequent events through September 18, 2013, the date the financial statements were issued.

(3) Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service participants have rendered. Accumulated plan benefits include benefits expected to be paid to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died and present employees or their beneficiaries.

The actuarial present value of accumulated plan benefits as of December 31, 2011 was approximately \$248 million. As of December 31, 2012, the Plan merged with NRP and the actuarial present value of accumulated plan benefits of this Plan were assumed by NRP. Therefore, the Plan did not have any actuarial present value of accumulated plan benefits as of December 31, 2012.

The actuarial present value of accumulated plan benefits prior to the transfer to NRP was determined using the unit credit cost method. Significant assumptions underlying the actuarial computations include assumed net rate of return on investments of 6.25% from 4.60% in the previous year, assumed retirement at age 65 and completion of 5 years of service, assumed mortality rate based on published statistical data (RP-2000 Mortality Table updated from the prior year based on new published statistical data) and assumed employee turnover rate based on actual experience.

These assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

(4) Investments

The following table summarizes the investments representing 5% or more of the Plan's net assets, as of December 31:

<i>(in thousands)</i>	2012	2011
Vanguard Institutional Total Stock Market Fund	\$ -	\$ 91,829
Vanguard FTSE All World Ex U.S. Fund	\$ -	\$ 22,310

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

The following table summarizes the appreciation (depreciation) in the fair value of the Plan's investments, during the years ended December 31:

<i>(in thousands)</i>	2012	2011
U.S. Treasury securities and obligations of U.S. Government		
corporations and agencies	\$ (237)	\$ 359
Mortgage-backed securities	(112)	(37)
Corporate securities	908	153
Investments in mutual funds	15,909	(4,243)
Other invested assets	(24)	(19)
Net appreciation in fair value of investments	\$ 16,444	\$ (3,787)

(5) Fair Value Measurements

As the Plan net assets were merged with the Nationwide Retirement Plan during 2012, there were no assets held at fair value on a recurring basis as of December 31, 2012.

The following table summarizes assets held at fair value on a recurring basis as of December 31, 2011:

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 14,562	\$ 1,965	\$ -	\$ 16,527
Mortgage-backed securities	-	6,099	-	6,099
Corporate securities	-	17,156	-	17,156
Total fixed maturity securities at fair value	\$ 14,562	\$ 25,220	\$ -	\$ 39,782
Investments in mutual funds:				
Institutional Total Stock Market Fund	\$ 91,829	\$ -	\$ -	\$ 91,829
FTSE All World Ex U.S. Fund	22,309	-	-	22,309
Total investments in mutual funds at fair value	\$ 114,138	\$ -	\$ -	\$ 114,138
Other invested assets	-	-	24	24
Total assets at fair value	\$ 128,700	\$ 25,220	\$ 24	\$ 153,944

The following table presents the rollforward of Level 3 assets held at fair value on a recurring basis during the year ended December 31, 2011:

<i>(in thousands)</i>	Balance as of December 31, 2010	Net losses ¹	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Balance as of December 31, 2011
Assets							
Other invested assets	\$ 43	\$ (19)	\$ -	\$ -	\$ -	\$ -	\$ 24
Assets at fair value	\$ 43	\$ (19)	\$ -	\$ -	\$ -	\$ -	\$ 24

¹ The change in unrealized losses included in operations on assets still held at the end of the year was \$(19) for other invested assets.

(6) Funding Policy

The Employers' funding policy is to contribute annually an amount equal to at least the minimum required contribution in accordance with minimum funding standards established by ERISA. Contributions are intended to provide for benefits attributed to service rendered through March 31, 2006. For the plan years ended December 31, 2012 and 2011, Plan Sponsor contributions were \$6,100 and \$10,400, respectively. The Plan's actuarial funding method is the traditional unit credit method.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

(7) Tax Status

The Internal Revenue Service ("IRS") has determined and informed the Plan Sponsor by letter dated October 15, 2009, that the Plan is designed in accordance with applicable sections of the IRC. The Plan Sponsor and Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Plan Number: 002
EIN: 51-0241172

Schedule H, Line 4j – Schedule of Reportable Transactions (Series of Transactions)

Year ended December 31, 2012

(in thousands)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>Identity of party involved</u>	<u>Description of asset (include interest rate and maturity in case of loan)</u>	<u>Number of purchases</u>	<u>Number of sales</u>	<u>Purchase price</u>	<u>Selling price</u>	<u>Cost of asset</u>	<u>Net gain or (loss)</u>
Fidelity	Fidelity Institutional Money Mkt Govt #57	18	9 \$	11,077 \$	16,386 \$	16,386 \$	-
Vanguard	Vanguard Institutional Total S	4	2 \$	2,222 \$	106,577 \$	64,933 \$	41,644
Vanguard	Vanguard FTSE All World Ex US Indx Fd	2	1 \$	772 \$	26,452 \$	23,660 \$	2,792
Bank of New York Mellon Trust Operations	EB Temporary Investment Fund	48	18 \$	15,347 \$	15,347 \$	15,347 \$	-

See accompanying independent auditors' report

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

**Single-Employer Defined Benefit Plan
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

► File as an attachment to Form 5500 or 5500-SF.

OMB No. 1210-0110

2012**This Form is Open to Public
Inspection**

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

► Round off amounts to nearest dollar.

► Caution: A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan**B** Three-digit
plan number (PN) ►

001

PENSION PLAN OF HARLEYSVILLE GROUP INC AND ASSOCIATED EMPLOYERS

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF

HARLEYSVILLE GROUP INC

D Employer Identification Number (EIN)

51-0241172

E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B**F** Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500**Part I Basic Information****1** Enter the valuation date: Month 1 Day 1 Year 2012**2** Assets:

	2a	
a Market value	161,790,425	
b Actuarial value	165,718,961	

3 Funding target/participant count breakdown:

	(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment.....	3a 1,235	83,219,485
b For terminated vested participants.....	3b 1,669	52,557,151
c For active participants:		
(1) Non-vested benefits	3c(1)	874,823
(2) Vested benefits	3c(2)	45,814,200
(3) Total active.....	3c(3) 1,062	46,689,023
d Total.....	3d 3,966	182,465,659

4 If the plan is in at-risk status, check the box and complete lines (a) and (b)..... ☐

	4a	4b
a Funding target disregarding prescribed at-risk assumptions		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor.....		

5 Effective interest rate **5** 7.07 %**6** Target normal cost **6** 0**Statement by Enrolled Actuary**

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

**SIGN
HERE**

JEFFREY A. REES JR

Signature of actuary

Jeffrey A. Rees

Type or print name of actuary

Deloitte Consulting LLP

Firm name

200 Renaissance Center, Suite 3900

Detroit

MI 48243-1895

Address of the firm

8/26/2013

Date

11-05941

Most recent enrollment number

(313) 396-2413

Telephone number (including area code)

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2012
v. 120126

Part II		Beginning of Year Carryover Prefunding Balances	
		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	0
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9	Amount remaining (line 7 minus line 8)	0	0
10	Interest on line 9 using prior year's actual return of <u>0.04</u> %	0	0
11	Prior year's excess contributions to be added to prefunding balance:		
	a Present value of excess contributions (line 38a from prior year)		114,592
	b Interest on (a) using prior year's effective interest rate of <u>6.34</u> % except as otherwise provided (see instructions)		7,266
	c Total available at beginning of current plan year to add to prefunding balance		121,858
	d Portion of (c) to be added to prefunding balance		0
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	0

Part III		Funding Percentages	
14	Funding target attainment percentage	14	90.82 %
15	Adjusted funding target attainment percentage	15	90.82 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	74.82 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV		Contributions and Liquidity Shortfalls			
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
03/15/2012	2,500,000				
06/15/2012	2,500,000				
09/28/2012	1,100,000				
Totals ►			18(b)	6,100,000	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contributions from prior years	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 5,932,671
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No	
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No	
c If line 20a is "Yes," see instructions and complete the following table as applicable:	
Liquidity shortfall as of end of quarter of this plan year	
(1) 1st	(2) 2nd
0	0
(3) 3rd	(4) 4th
0	0

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:				
a Segment rates:	1st segment: 5.54 %	2nd segment: 6.85 %	3rd segment: 7.52 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 4
22 Weighted average retirement age				22 62
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous Items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment	27

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6).....	31a	0	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment.....	16,746,698	5,785,785	
b Waiver amortization installment	0	0	
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33) ..	34	5,785,785	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	0	0
36 Additional cash requirement (line 34 minus line 35).....	36	5,785,785	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....	37	5,932,671	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	146,886	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

**Single-Employer Defined Benefit Plan
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PENSION PLAN OF HARLEYSVILLE GROUP INC AND ASSOCIATED EMPLOYERS

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF

HARLEYSVILLE GROUP INC

D Employer Identification Number (EIN)

51-0241172

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**SIGN
HERE**

JEFFREY A. REES JR

Signature of actuary

Jeffrey A. Rees

Type or print name of actuary

Deloitte Consulting LLP

Firm name

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Detroit

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Schedule SB (Form 5500) 2012
v. 120126

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0	0
(3) 3rd	(4) 4th
0	0

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

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a Segment rates:	1st segment: 5.54 %	2nd segment: 6.85 %	3rd segment: 7.52 %	☐ N/A, full yield curve used
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38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	146,886	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers
EIN: 51-0241172
Plan Number: 001

**Attachment to the 2012 Schedule SB (Form 5500),
Line 26 – Schedule of Active Participant Data**

Participant Information

The following table displays the distribution of active participants by age and service, and includes average annual benefits for any grouping with 20 or more participants as required on the Form 5500 Schedule SB attachment for hard frozen plans.

Table 1

	Service Group																				
Age Group	< 1		1-4		5-9		10-14		15-19		20-24		25-29		30-34		35-39		40+		Total
	No.	Avg. Bft.	No.	Avg. Bft.	No.	Avg. Bft.	No.	Avg. Bft.	No.	Avg. Bft.	No.	Avg. Bft.	No.	Avg. Bft.	No.	Avg. Bft.	No.	Avg. Bft.	No.	Avg. Bft.	
0 – 24																					
25 – 29	6	N/A	4	N/A																	10
30 – 34	10	N/A	21	\$1,413	9	N/A															40
35 – 39	6	N/A	22	\$1,750	19	N/A	3	N/A	4	N/A											54
40 – 44	5	N/A	40	\$2,191	45	\$4,916	10	N/A	27	\$10,198	8	N/A									135
45 – 49	8	N/A	60	\$2,327	54	\$5,720	15	N/A	38	\$14,315	51	\$14,209	6	N/A							232
50 – 54	3	N/A	61	\$2,413	48	\$5,644	18	N/A	31	\$14,964	17	N/A	39	\$19,584	3	N/A					220
55 – 59	5	N/A	39	\$3,293	51	\$6,617	26	\$12,725	22	\$12,427	26	\$22,224	24	\$22,416	10	N/A	3	N/A			206
60 – 64	4	N/A	32	\$2,651	33	\$7,028	11	N/A	17	N/A	12	N/A	10	N/A	1	N/A	3	N/A	2	N/A	125
65 – 69	1	N/A	12	N/A	14	N/A	4	N/A	5	N/A	1	N/A									37
70+			2						1												3
Total	48		293		273		87		145		115		79		14		6		2		1,062

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers

EIN: 51-0241172

Plan Number: 001

Attachment to the 2012 Schedule SB (Form 5500),

Line 32 - Schedule of Amortization Bases

Date Established	Amortization Base Type	Remaining Number of Years	Annual Shortfall Amortization Installment	Present Value of Remaining Amortization Installments as of January 1, 2012
January 1, 2012	Shortfall	7	(\$4,047,171)	(\$23,845,523)
January 1, 2011	Shortfall	6	\$3,964,804	\$20,695,975
January 1, 2010	Shortfall	5	\$1,754,321	\$7,897,811
January 1, 2009	Shortfall	4	\$344,957	\$1,274,935
January 1, 2008	Shortfall	3	\$3,768,874	\$10,723,500
			\$5,785,785	\$16,746,698

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers

EIN: 51-0241172

Plan Number: 001

**Attachment to the 2012 Schedule SB (Form 5500),
Part V – Statement of Actuarial Assumptions and Methods**

Actuarial Methods for Funding

Liability Valuation Method

Funding Target and Target Normal Cost as Defined in PPA

The funding target is defined to be the present value of the benefits accrued or earned at valuation date. The earned benefits include retirement-type benefits and ancillary benefits (1.430(d)-1(c)(1)(i)). If the amount of a benefit that is expected to be paid is neither a function of the accrued benefit at the time the benefit is expected to be paid nor a function of the participant's service at that time, then the portion of the benefit taken into account for purposes of determining the funding target for a plan year is based on the proportion of a participant's service as of the first day of the plan year relative to the service the participant will have when the participant decrements. The portion of the benefit that is taken into account in the target normal cost is the increase in the proportional benefit for the plan year (1.430(d)-1(c)(1)(ii)(C)). The determination of the funding target and target normal cost of a plan for a plan year is not permitted to take into account any limitations or anticipated limitations under section 436 (1.430(d)-1(c)(1)(iii)).

The target normal cost is the present value of all the benefits expected to accrue or to be earned during the year (benefits attributable to services performed in a prior year that are increased by reason of a compensation increase in the current year are treated as having accrued during the current year). Plan administrative expenses paid (or expected to be paid) from plan assets for a plan year are not reflected in the determination of a plan's funding target for that plan year (1.430(d)-1(c)(2)), but are reflected in the determination of a plan's target normal cost.

Generally if insurance contracts are held by the Plan, they are included in plan assets and the related benefits are included in the liability. In the case of benefits that are funded through insurance contracts purchased from an insurance company licensed under the laws of a State, the Plan is permitted to exclude the benefits from the liability and the insurance policy from the assets, but only to the extent that the right to receive benefits is an irrevocable contractual right based on premiums paid prior to the valuation date (1.430(d)-1(c)(3)).

The determination of a plan's funding target and target normal cost for a plan year is based on plan provisions that are adopted no later than the valuation date for the plan year and that become effective during that plan year. Section 412(d)(2) applies for purposes of determining whether a plan amendment is treated as having been adopted on the first day of the plan year (including a plan amendment adopted within two and one half months after the close of the plan year) (1.430(d)-1(d)).

For maximum deductible purposes, the cushion amount is equal to the sum of 50 percent of the funding target for the plan year and the amount the funding target for the plan year would increase if the Plan were to take into account increases in compensation which are expected to occur in succeeding plan years. If the Plan does not base benefits for service to date on compensation, increases in benefits which are expected to occur in succeeding plan years (determined on the basis of the average annual increase in benefits over the six preceding plan years) are taken into account in lieu of expected increases in compensation. For plans that have less than 100 participants, increases in benefits for highly compensated employees as a result of plan amendments within the last two years are excluded from the calculation of the cushion amount.

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers

EIN: 51-0241172

Plan Number: 001

**Attachment to the 2012 Schedule SB (Form 5500),
Part V – Statement of Actuarial Assumptions and Methods**

Actuarial Methods for Funding

Asset Valuation Method

Funding Purposes: Plan assets are determined using the two-year averaging method as set forth in Notice 2009-22. Under this method, the actuarial value of assets is the average of the fair market value of the assets on the valuation date and the adjusted fair market value of assets determined as of the two prior determination dates. The adjusted fair market value of assets as of a determination date is the market value of assets on that date, increased by contributions that were not included in the plan's asset balance on the determination date and decreased by benefits and administrative expenses between that determination date and the valuation date plus an adjustment for expected earnings as the sum of the expected earnings separately determined for each period between the determination date and the valuation date. The calculated value is then further constrained to be no more than 110% of the market value of assets plus discounted receivable contributions and no less than 90% of the market value of assets plus discounted contributions.

Procedures

Financial and census data: Financial data was submitted by the Trustee and census data was submitted by the plan sponsor. Information provided was reviewed for internal consistency and we have no reason to doubt its substantial accuracy.

No benefits of materiality were excluded from the valuation of the liabilities.

The limitations of the Internal Revenue Code 415(b) and 401(a)(17) have been incorporated into our calculations.

No liability is included for participants who terminated without vesting in their benefit prior to the valuation date.

The plan sponsor provided us with the data on its employees as of the valuation date, but only those employees who have completed the Plan's eligibility requirements are included in the valuation of liabilities.

Present Value of Accrued and Vested Benefits (ASC 960)

For active participants, the accrued pension benefits as of the valuation date and payable from the assumed retirement age were determined based on actual plan compensation history for each participant. For inactive participants, accrued benefits were either supplied by the Company or estimated. The present value of accrued benefits was determined by multiplying the accrued pension benefits by single premium cost factors based on the applicable actuarial assumptions for accrued benefits.

Method Changes Since Last Year

There were no method changes since the prior valuation.

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers**EIN: 51-0241172****Plan Number: 001****Attachment to the 2012 Schedule SB (Form 5500),
Part V – Statement of Actuarial Assumptions and Methods****Actuarial Assumptions**

Interest Rates		Pre-MAP-21 Segment Rates ¹	25 Year Average Segment Rates	MAP-21 Corridor (90%-110% for 2012)	MAP-21 Segment Rates ²										
	Lookback Month	September	N/A	N/A	N/A										
	First Segment Rate	2.06%	6.15%	5.54% - 6.77%	5.54%										
	Second Segment Rate	5.25%	7.61%	6.85% - 8.37%	6.85%										
	Third Segment Rate	6.32%	8.35%	7.52% - 9.19%	7.52%										
	Effective Rate	5.61%	N/A	N/A	7.07%										
	¹ Used for maximum deductible, ERISA 4010 reporting and excess assets for §420 transfers ² Used for minimum funding and benefit restrictions ASC 960: 6.25% per annum														
Salary Scale	N/A														
Mortality – Healthy Participants	Funding Target: As defined in proposed regulations 1.430(h)(3). This table is based on the RP2000 sex-distinct table that reflects projected mortality improvements 15 years into the future from the valuation date for non-annuitants and seven years into the future for annuitants. ASC 960: As defined in proposed regulations 1.430(h)(3). This table is based on the RP2000 sex-distinct table that reflects projected mortality improvements to the valuation date.														
Withdrawal	Annual termination rates based on age. Sample rates as follows: <table><tr><th colspan="2">Termination Rates</th></tr><tr><th>Age</th><th>Males and Females</th></tr><tr><td>25</td><td>14.4%</td></tr><tr><td>40</td><td>9.8</td></tr><tr><td>55</td><td>2.0</td></tr></table>					Termination Rates		Age	Males and Females	25	14.4%	40	9.8	55	2.0
Termination Rates															
Age	Males and Females														
25	14.4%														
40	9.8														
55	2.0														
Retirement Age	Annual retirement rates based on age. Rates as follows: <table><tr><th colspan="2">Retirement Rates</th></tr><tr><th>Age</th><th>Males and Females</th></tr><tr><td>55-59</td><td>5.0%</td></tr><tr><td>60-64</td><td>10.0</td></tr><tr><td>65+</td><td>100.0</td></tr></table> Age 65 for Terminated Vested participants					Retirement Rates		Age	Males and Females	55-59	5.0%	60-64	10.0	65+	100.0
Retirement Rates															
Age	Males and Females														
55-59	5.0%														
60-64	10.0														
65+	100.0														

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers

EIN: 51-0241172

Plan Number: 001

Attachment to the 2012 Schedule SB (Form 5500),

Part V – Statement of Actuarial Assumptions and Methods

Expenses	Funding Target: None assumed
Percentage of Married	75% of males and 75% of females are assumed to be married. Husbands are assumed to be 3 years older than wives. Actual spousal data is used for retirees.
Assumption Changes Since Last Year	Funding Target: The discount rates and mortality table were updated per IRS requirements. ASC 960: The discount rate was updated from 5.50% to 6.25% to reflect the merger of the Pension Plan of Harleysville Group Inc. and Associated Employers and the Nationwide Retirement Plan (NRP) and to reflect the NRP's Target Asset Allocation.

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers**EIN: 51-0241172****Plan Number: 001****Attachment to the 2012 Schedule SB (Form 5500),****Part V – Summary of Plan Provisions****Plan Provisions Summary**

Employer ID and Plan Number	
1. Effective Date	Amended and Restated as of January 1, 2008
2. Eligibility to Participate	All employees who work at least 1,000 hours in a 12-month period are eligible on the first day of January or July following the completion of one year of service and the attainment of age 21. The plan has been amended to allow individuals hired during 2005 to enter the plan on March 31, 2006. Employees hired on or after January 1, 2006 are not eligible for the pension plan.
3. Vesting Computation	The period of 12-consecutive months commencing on an Employee's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and the period of 12-consecutive months commencing on each anniversary of such date.
4. Vesting Service	A year of Vesting Service shall be credited for each Vesting Computation period in which the participant completes at least 1,000 hours of service.
5. Benefit Service	A year of Benefit Service shall be credited for each plan year in which the participant completes 1,000 or more hours of service. Benefit Service is frozen as of March 31, 2006. For New York Casualty and Connecticut Union employees, Benefit Service is calculated from the later of Date of Employment and March 8, 1982. For Lake States employees, Benefit Service is calculated from the later of Date of Employment and January 1, 1986. For Boyertown employees, Benefit Service is calculated from the later of Date of Employment and October 6, 1997.
6. Break In Service	12-month employment period during which less than 501 hours are worked (unless on a qualified Leave of Absence). If the participant is not vested and the number of consecutive one-year Breaks in Service equals or exceeds the greater of total number of years of Vesting Service or Benefit Service earned before break, or five years, such prior service is lost.
7. Average Annual Compensation	Base salary inclusive of amounts deferred under a salary reduction agreement. Effective January 1, 2002, compensation may not exceed \$200,000 (prospectively and retrospectively) per annum (actual dollar limit is indexed). Compensation is not considered beyond March 31, 2006.
8. Final Average Annual Earnings	Average of Annual Compensation earned for the 5 highest consecutive plan years within the period of 10 years immediately preceding a participant's retirement date or termination date. Average Annual Compensation is frozen as of March 31, 2006.
9. Covered Compensation	Average of taxable wage bases in effect during the 35-year period ending with the year of attainment of Social Security normal retirement age. The Covered Compensation Level is based upon the Social Security law in effect in the year of determination, but no later than 2006.
10. Normal Retirement	
a. Eligibility	Later of age 65 or the fifth anniversary of the date of employment.
b. Benefit	The greater of: (a) Grandfathered Benefit: Accrued Benefit as of December 31, 1988 determined under the old benefit formula; (b) New Formula: 1.45% of Average Annual Compensation up to Covered Compensation Level plus 1.95% of Average Annual Compensation in excess of Covered Compensation, times Credited service up to 25; or (c) Transition Formula: Accrued benefit as of December 31, 1988 indexed to reflect the increase in Annual Average Compensation at the date of determination versus the Annual Average Compensation at December 31,

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers

EIN: 51-0241172

Plan Number: 001

Attachment to the 2012 Schedule SB (Form 5500),

Part V – Summary of Plan Provisions

	1988, plus 1.7% of Annual Average Compensation times Credited service after January 1, 1989, with a maximum of nine years. This formula was frozen as of December 31, 1997. • Benefits for employees who are not Super Highly Compensated can be no less than what was accrued under the old benefit formula as of December 31, 1991. • Benefit accruals have been frozen as of March 31, 2006. Worcester employees who are not Highly Compensated and with 10 or more years of service as of December 31, 1983, shall receive the greater of (1) the normal retirement benefit determined under the Harleysville Plan; or (2) the normal retirement benefit determined under the Worcester formula, which is 70% of Final Average Compensation less 50% of the Primary Insurance Amount, with the difference reduced by 1/35 for each year of Credited service less than 35 years at Normal Retirement Date. However, an employee who was a participant in the Worcester Plan before January 1, 1974, shall be entitled to the larger of the Worcester benefit described above or a minimum benefit calculated under the pre-1974 plan. Atlantic Mutual employees who are not Highly Compensated and with 10 or more year of service as of December 31, 1987 shall receive the greater of (1) the normal retirement benefit determined under the Harleysville Plan; or (2) the normal retirement benefit determined under the Atlantic Mutual Plan formula; which is 80% of Final Average compensation less 50% of the Primary Insurance Amount with the difference reduced by 1/40 for each year of Credited service less than 40 years at Normal Retirement Date. Phoenix Mutual employees shall receive the greater of (1) the benefit under the Phoenix Mutual plan formula as of December 31, 1990 increased by Cost of Living Adjustment each year, or (2) the benefit determined under the Harleysville Plan using all years of service with Harleysville and Phoenix Mutual. Lake States current participants will receive a benefit which will be the sum of (1) benefit earned as of December 31, 1994, under the Lake States formula, plus (2) benefit earned commencing January 1, 1995 under the Harleysville formula. There will be a maximum of 25 years of service taken into account in determining the benefit, and the highest five years of compensation will be used to determine the benefit under the Lake States and Harleysville formulas. The Lake States formula is 1.45% times final average compensation times years of service up to a maximum of 9, while the Harleysville formula is 1.45% of final average compensation up to covered compensation plus 1.95% of final average compensation over covered compensation times years of service up to a maximum of 25 years. Former Minnesota Fire and Casualty employees shall receive the greater of (1) the benefit under the MF&C Company Employee Pension Plan as of December 31, 1998 or (2) the MF&C formula for service through December 31, 1998 (1.2% of final average compensation up to covered compensation plus 1.65% of final average compensation over covered compensation; times years of service up to a maximum of 25 years) plus the Harleysville formula for service beginning January 1, 1999, both benefits based on the same final average compensation using the Harleysville base salary definition. MF&C employees with 10 or more years of service as of December 31, 1998 will be eligible for a total service benefit under the MF&C formula as long as they are non-highly compensated employees. Former Berkshire Mutual Insurance employees are entitled to the pension benefit determined under the provisions of the Berkshire Mutual Pension Plan at the time of its merger into the Harleysville Plan.
11. Early Retirement	
a. Eligibility	Age 55 and five Years of Vesting Service.
b. Benefit	For participants who become eligible on or after January 1, 1989, the product of benefit determined under the new formula times new early retirement factors as specified below.

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers**EIN: 51-0241172****Plan Number: 001****Attachment to the 2012 Schedule SB (Form 5500),****Part V – Summary of Plan Provisions**

	For others, the greater of: (a) Benefit as calculated above; or (b) Benefit determined under the transition formula times old early retirement factors as specified below: <table><tr><th>Age</th><th>Old Early-Retirement Factors</th><th>New Early-Retirement Factors</th></tr><tr><td>55</td><td>0.64</td><td>0.48</td></tr><tr><td>56</td><td>0.676</td><td>0.52</td></tr><tr><td>57</td><td>0.712</td><td>0.56</td></tr><tr><td>58</td><td>0.748</td><td>0.6</td></tr><tr><td>59</td><td>0.784</td><td>0.64</td></tr><tr><td>60</td><td>0.82</td><td>0.68</td></tr><tr><td>61</td><td>0.856</td><td>0.72</td></tr><tr><td>62</td><td>0.892</td><td>0.76</td></tr><tr><td>63</td><td>0.928</td><td>0.84</td></tr><tr><td>64</td><td>0.964</td><td>0.92</td></tr><tr><td>65</td><td>1</td><td>1</td></tr></table> Benefits calculated under the Minnesota Fire and Casualty Company Employee Pension Plan as of December 31, 1998 or under the MF&C grandfathered benefit provisions use the early retirement factors specified in the former Minnesota Fire and Casualty Plan.	Age	Old Early-Retirement Factors	New Early-Retirement Factors	55	0.64	0.48	56	0.676	0.52	57	0.712	0.56	58	0.748	0.6	59	0.784	0.64	60	0.82	0.68	61	0.856	0.72	62	0.892	0.76	63	0.928	0.84	64	0.964	0.92	65	1	1
Age	Old Early-Retirement Factors	New Early-Retirement Factors																																			
55	0.64	0.48																																			
56	0.676	0.52																																			
57	0.712	0.56																																			
58	0.748	0.6																																			
59	0.784	0.64																																			
60	0.82	0.68																																			
61	0.856	0.72																																			
62	0.892	0.76																																			
63	0.928	0.84																																			
64	0.964	0.92																																			
65	1	1																																			
12. Late Retirement																																					
a. Eligibility	Retirement after normal retirement age.																																				
b. Benefit	The monthly benefit equals the greater of: (a) Normal Retirement Benefit computed as of Normal Retirement Date actuarially increased for each month the payment commencement date is deferred beyond the Normal Retirement Date. (b) Benefit computed using Credited service and Average Annual Compensation as of the Late Retirement Date, but Primary Social Security Benefit as of Normal Retirement Date. The plan has been amended to stop benefit accruals as of March 31, 2006.																																				
13. Vested Deferred Retirement																																					
a. Eligibility	100% Vested after 5 years of Vesting Service																																				
b. Benefit	Accrued Benefit as of the date of termination multiplied by the vesting percentage.																																				
14. Death Before Retirement																																					
a. Eligibility	Member must be married to spouse at least one year at date of death and vested in accrued benefit.																																				
b. Benefit	Prior to Early Retirement Eligibility: 50% of Accrued Benefit at the time of death reduced for early retirement and 50% Joint and Survivor option. This is payable at the time the Participant would have been eligible for early retirement. After Early Retirement, but before Normal Retirement: Annuity payable to member's spouse under 50% Joint and Survivor option as if member elected early retirement immediately before death. After Normal Retirement:																																				

Plan Name: Pension Plan of Harleysville Group Inc. and Associated Employers**EIN: 51-0241172****Plan Number: 001****Attachment to the 2012 Schedule SB (Form 5500),****Part V – Summary of Plan Provisions**

	Annuity payable to member's spouse under 50% Joint and Survivor option as if member had retired immediately before death.
15. Post Retirement Benefit	Upon death of a former employee who had completed at least 10 years of service and was retired directly from employment with the company after June 30, 1964, there shall be paid to his or her named beneficiary the sum of \$5,000.
16. Normal Form of Payment	Unmarried: Life annuity payable monthly. Married: 50% Joint and Survivor Annuity payable monthly (actuarially reduced).
17. Optional Form of Payment	• Lump-sum payment (only if less than \$5,000) • 50% Joint and Survivor • 75% Joint and Survivor • 100% Joint and Survivor • 10 Years Certain and Life
18. Actuarial Equivalence	1971 Group Annuity Mortality table for males with an age set-back of three years for both sexes and an assumed interest of 8%.
19. Changes Since Prior Valuation	None

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Financial Statements and Supplemental Schedules

December 31, 2012 and 2011

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

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All other supplemental schedules required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because there is nothing to report.



KPMG LLP
Suite 500
191 West Nationwide Blvd.
Columbus, OH 43215-2568

Independent Auditor's Report

The Administrative Committee
Pension Plan of Harleysville Group Inc. and Associated Employers:

We have audited the accompanying financial statements of the Pension Plan of Harleysville Group Inc. and Associated Employers (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Plan's net assets available for benefits as of December 31, 2012 and 2011, and changes therein for the years then ended, and its financial status as of December 31, 2012 and changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H, Line 4j – Schedule of Reportable Transactions (Series of Transactions) for the year ended December 31, 2012 is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Columbus, Ohio
September 18, 2013

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Statements of Net Assets Available for Benefits

	December 31,	
<i>(in thousands)</i>	2012	2011
Assets		
Investments:		
Fixed maturity securities, available-for-sale	\$	- \$ 39,782
Investments in mutual funds		- 114,138
Other invested assets		- 24
Total investments	\$	- \$ 153,944
Cash and cash equivalents		- 5,315
Contributions receivable		- 2,400
Other assets		- 275
Total assets	\$	- \$ 161,934
Liabilities		
Accounts payable	\$	- \$ 113
Total liabilities	\$	- \$ 113
Net assets available for benefits	\$	- \$ 161,821

See accompanying notes to financial statements.

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Statements of Changes in Net Assets Available for Benefits

<i>(in thousands)</i>	Year Ended December 31,	
	2012	2011
Investment income		
Net appreciation (depreciation) in fair value of investments	\$ 16,444	\$ (3,787)
Interest income	1,100	1,338
Dividend income	2,994	2,517
Total investment income	\$ 20,538	\$ 68
Contributions		
Employers	\$ 6,100	\$ 10,400
Total contributions	\$ 6,100	\$ 10,400
Benefits and expenses		
Benefits paid to participants and beneficiaries	\$ 9,055	\$ 8,474
Administrative expenses	38	-
Total benefits and expenses	\$ 9,093	\$ 8,474
Transfer to Nationwide Retirement Plan	(179,366)	-
Net (decrease) increase	\$ (161,821)	\$ 1,994
Net assets available for benefits		
Beginning of year	\$ 161,821	\$ 159,827
End of year	\$ -	\$ 161,821

See accompanying notes to financial statements.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

(1) Description of the Plan

The following description of the Pension Plan of Harleysville Group Inc. and Associated Employers ("the Plan") is provided for general information purposes only. Participants should refer to the Plan document for a complete description of the Plan.

General

The Plan is a defined benefit pension plan covering all eligible employees of Harleysville Group Inc. ("the Plan Sponsor") and Associated Employers ("Employers"). The Plan Sponsor froze the accrued benefits of the Plan as of March 31, 2006. At that time, the accrued benefit of each participant became nonforfeitable to the extent then funded. The net assets of the Plan will be allocated as prescribed by the terms and the provisions of the Plan in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended and its related regulations. In addition, the Plan was amended to allow individuals who were hired in 2005 to enter the Plan on March 31, 2006. The Plan is subject to the provisions of ERISA.

Pension Benefits

Employees with five or more years of service are entitled to annual pension benefits, beginning at normal retirement age (age 65). Prior to January 1, 1989, annual pension benefits were equal to 2.25% of final average compensation, less 2.00% of the annual primary Social Security benefit, multiplied by the number of years of service up to a maximum of 25. Effective January 1, 1989, the benefit formula became the greater of: (1) the accrued benefit as of December 31, 1988 based on the former formula; (2) 1.45% of the employees' final average compensation, up to and including a compensation level equal to covered compensation (the average of the Social Security wage bases for the 35-year period ending in the year the employee attains Social Security retirement age) multiplied by the number of years of service up to a maximum of 25, plus 1.95% of the employees' final average compensation exceeding the covered compensation, multiplied by the number of years of service up to a maximum of 25; or (3) the accrued benefit as calculated under a special transition formula for employees who worked for the Employers during the period January 1, 1988 through December 31, 1991 who otherwise had five years of vesting service.

Employees who terminate before rendering five years of eligible service forfeit the right to receive their portion of accumulated plan benefits. Employees receive their benefits as a life annuity payable monthly from their date of retirement.

Plan Merger

On May 1, 2012 Harleysville Mutual Insurance Company was merged into Nationwide Mutual Insurance Company. Effective December 31, 2012, in conjunction with the merger, the Plan merged with the Nationwide Retirement Plan ("NRP"). Accordingly, the associated net assets and benefits and obligations for eligible individuals were transferred to the NRP at this date. As a result, these net assets are reported in the NRP statement of net assets available for benefits as of December 31, 2012. Refer to Note 3 for discussion of the related benefits and obligations.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP").

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions affecting amounts reported in the financial statements and accompanying notes. Significant estimates include benefit obligations and certain investment valuations. Actual results may differ significantly from those estimates.

Contributions

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements. Contributions are recognized when due from the affiliated companies.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

Benefits

Benefits are included to the extent they are deemed attributable to employee service rendered through March 31, 2006. Benefits being provided via annuity contracts are excluded from plan assets and are excluded from accumulated plan benefits.

Investments

Purchases and sales of securities and the related realized gains and losses are recorded on the trade date. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date, reinvested and added to the participant accounts. In addition, investment income includes the realized and unrealized gains and losses on the Plan's investments and other income. These realized and unrealized gains and losses are recognized in net appreciation (depreciation) in fair value of investments in the statements of changes in net assets available for benefits.

Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect the Plan's view of market assumptions in the absence of observable market information. The Plan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In determining fair value, the Plan uses various methods including market, income and cost approaches.

The Plan categorizes its assets and liabilities into a three-level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

The Plan categorizes assets and liabilities held at fair value in the statement of net assets available for benefits as follows:

Level 1. Unadjusted quoted prices accessible in active markets for identical assets or liabilities at the measurement date and mutual funds where the value per share (unit) is determined and published daily and is the basis for current transactions.

Level 2. Unadjusted quoted prices for similar assets or liabilities in active markets or inputs (other than quoted prices) that are observable or that are derived principally from or corroborated by observable market data through correlation or other means.

Level 3. Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate about the assumptions market participants would use at the measurement date in pricing the asset or liability. Consideration is given to the risk inherent in both the method of valuation and the valuation inputs.

The Plan reviews its fair value hierarchy classifications for assets and liabilities quarterly. Changes in observability of significant valuation inputs identified during these reviews may trigger reclassifications. Reclassifications are reported as transfers at the beginning of the period in which the change occurs.

Administrative Expenses

In 2012, the Employers paid investment advisory fees and management fees on behalf of the Plan. All other administrative fees are the responsibility of the Plan.

In 2011, all administrative expenses related to the Plan were paid by the Employers.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

Pension Protection Act Funding Status

Starting with the 2008 plan year, Section 436 of the Internal Revenue Code ("IRC") requires the Plan to meet specified funding thresholds to pay lump sums or other accelerated distributions, provide continued benefit accruals, pay unpredictable contingent event benefits or implement amendments improving benefits. The Plan could be disqualified if it pays benefits in violation of the IRC Section 436 limitations, or if it fails to pay benefits provided under the terms of the Plan when they are not limited by IRC Section 436. The Adjusted Funding Target Attainment Percentage ("AFTAP") is the funded status measure used to determine which of these limitations, if any, apply to the Plan.

For the plan year beginning January 1, 2012, based on certain actuarial assumptions and financial data, and certain plan provisions, the Plan's actuaries certified that the Plan had an AFTAP ratio of 90.64%. Based on this ratio, the Plan, in 2012, was not subject to accelerated distribution limitations as defined by the Pension Protection Act of 2006. For the plan year beginning January 1, 2011, the Plan's actuaries certified that the Plan had an AFTAP ratio of 74.82%. As such, in 2011, the Plan was subject to accelerated distribution limitations.

Subsequent Events

The Plan evaluated subsequent events through September 18, 2013, the date the financial statements were issued.

(3) Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service participants have rendered. Accumulated plan benefits include benefits expected to be paid to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died and present employees or their beneficiaries.

The actuarial present value of accumulated plan benefits as of December 31, 2011 was approximately \$248 million. As of December 31, 2012, the Plan merged with NRP and the actuarial present value of accumulated plan benefits of this Plan were assumed by NRP. Therefore, the Plan did not have any actuarial present value of accumulated plan benefits as of December 31, 2012.

The actuarial present value of accumulated plan benefits prior to the transfer to NRP was determined using the unit credit cost method. Significant assumptions underlying the actuarial computations include assumed net rate of return on investments of 6.25% from 4.60% in the previous year, assumed retirement at age 65 and completion of 5 years of service, assumed mortality rate based on published statistical data (RP-2000 Mortality Table updated from the prior year based on new published statistical data) and assumed employee turnover rate based on actual experience.

These assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

(4) Investments

The following table summarizes the investments representing 5% or more of the Plan's net assets, as of December 31:

<i>(in thousands)</i>	2012	2011
Vanguard Institutional Total Stock Market Fund	\$ -	\$ 91,829
Vanguard FTSE All World Ex U.S. Fund	\$ -	\$ 22,310

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

The following table summarizes the appreciation (depreciation) in the fair value of the Plan's investments, during the years ended December 31:

<i>(in thousands)</i>	2012	2011
U.S. Treasury securities and obligations of U.S. Government		
corporations and agencies	\$ (237)	\$ 359
Mortgage-backed securities	(112)	(37)
Corporate securities	908	153
Investments in mutual funds	15,909	(4,243)
Other invested assets	(24)	(19)
Net appreciation in fair value of investments	\$ 16,444	\$ (3,787)

(5) Fair Value Measurements

As the Plan net assets were merged with the Nationwide Retirement Plan during 2012, there were no assets held at fair value on a recurring basis as of December 31, 2012.

The following table summarizes assets held at fair value on a recurring basis as of December 31, 2011:

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 14,562	\$ 1,965	- \$	16,527
Mortgage-backed securities	-	6,099	-	6,099
Corporate securities	-	17,156	-	17,156
Total fixed maturity securities at fair value	\$ 14,562	\$ 25,220	- \$	39,782
Investments in mutual funds:				
Institutional Total Stock Market Fund	\$ 91,829	- \$	- \$	91,829
FTSE All World Ex U.S. Fund	22,309	-	-	22,309
Total investments in mutual funds at fair value	\$ 114,138	- \$	- \$	114,138
Other invested assets	-	-	24	24
Total assets at fair value	\$ 128,700	\$ 25,220	24 \$	153,944

The following table presents the rollforward of Level 3 assets held at fair value on a recurring basis during the year ended December 31, 2011:

<i>(in thousands)</i>	Balance as of December 31, 2010	Net losses ¹	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Balance as of December 31, 2011
Assets							
Other invested assets	\$ 43	\$ (19)	- \$	- \$	- \$	- \$	24
Assets at fair value	\$ 43	\$ (19)	- \$	- \$	- \$	- \$	24

¹ The change in unrealized losses included in operations on assets still held at the end of the year was \$(19) for other invested assets.

(6) Funding Policy

The Employers' funding policy is to contribute annually an amount equal to at least the minimum required contribution in accordance with minimum funding standards established by ERISA. Contributions are intended to provide for benefits attributed to service rendered through March 31, 2006. For the plan years ended December 31, 2012 and 2011, Plan Sponsor contributions were \$6,100 and \$10,400, respectively. The Plan's actuarial funding method is the traditional unit credit method.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

(7) Tax Status

The Internal Revenue Service ("IRS") has determined and informed the Plan Sponsor by letter dated October 15, 2009, that the Plan is designed in accordance with applicable sections of the IRC. The Plan Sponsor and Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Plan Number: 002
EIN: 51-0241172

Schedule H, Line 4j – Schedule of Reportable Transactions (Series of Transactions)

Year ended December 31, 2012

(in thousands)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>Identity of party involved</u>	<u>Description of asset (include interest rate and maturity in case of loan)</u>	<u>Number of purchases</u>	<u>Number of sales</u>	<u>Purchase price</u>	<u>Selling price</u>	<u>Cost of asset</u>	<u>Net gain or (loss)</u>
Fidelity	Fidelity Institutional Money Mkt Govt #57	18	9 \$	11,077 \$	16,386 \$	16,386 \$	-
Vanguard	Vanguard Institutional Total S	4	2 \$	2,222 \$	106,577 \$	64,933 \$	41,644
Vanguard	Vanguard FTSE All World Ex US Indx Fd	2	1 \$	772 \$	26,452 \$	23,660 \$	2,792
Bank of New York Mellon Trust Operations	EB Temporary Investment Fund	48	18 \$	15,347 \$	15,347 \$	15,347 \$	-

See accompanying independent auditors' report

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Financial Statements and Supplemental Schedules

December 31, 2012 and 2011

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

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All other supplemental schedules required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because there is nothing to report.



KPMG LLP
Suite 500
191 West Nationwide Blvd.
Columbus, OH 43215-2568

Independent Auditor's Report

The Administrative Committee
Pension Plan of Harleysville Group Inc. and Associated Employers:

We have audited the accompanying financial statements of the Pension Plan of Harleysville Group Inc. and Associated Employers (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Plan's net assets available for benefits as of December 31, 2012 and 2011, and changes therein for the years then ended, and its financial status as of December 31, 2012 and changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H, Line 4j – Schedule of Reportable Transactions (Series of Transactions) for the year ended December 31, 2012 is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Columbus, Ohio
September 18, 2013

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Statements of Net Assets Available for Benefits

	December 31,	
<i>(in thousands)</i>	2012	2011
Assets		
Investments:		
Fixed maturity securities, available-for-sale	\$	- \$ 39,782
Investments in mutual funds		- 114,138
Other invested assets		- 24
Total investments	\$	- \$ 153,944
Cash and cash equivalents		- 5,315
Contributions receivable		- 2,400
Other assets		- 275
Total assets	\$	- \$ 161,934
Liabilities		
Accounts payable	\$	- \$ 113
Total liabilities	\$	- \$ 113
Net assets available for benefits	\$	- \$ 161,821

See accompanying notes to financial statements.

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Statements of Changes in Net Assets Available for Benefits

<i>(in thousands)</i>	Year Ended December 31,	
	2012	2011
Investment income		
Net appreciation (depreciation) in fair value of investments	\$ 16,444	\$ (3,787)
Interest income	1,100	1,338
Dividend income	2,994	2,517
Total investment income	\$ 20,538	\$ 68
Contributions		
Employers	\$ 6,100	\$ 10,400
Total contributions	\$ 6,100	\$ 10,400
Benefits and expenses		
Benefits paid to participants and beneficiaries	\$ 9,055	\$ 8,474
Administrative expenses	38	-
Total benefits and expenses	\$ 9,093	\$ 8,474
Transfer to Nationwide Retirement Plan	(179,366)	-
Net (decrease) increase	\$ (161,821)	\$ 1,994
Net assets available for benefits		
Beginning of year	\$ 161,821	\$ 159,827
End of year	\$ -	\$ 161,821

See accompanying notes to financial statements.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

(1) Description of the Plan

The following description of the Pension Plan of Harleysville Group Inc. and Associated Employers ("the Plan") is provided for general information purposes only. Participants should refer to the Plan document for a complete description of the Plan.

General

The Plan is a defined benefit pension plan covering all eligible employees of Harleysville Group Inc. ("the Plan Sponsor") and Associated Employers ("Employers"). The Plan Sponsor froze the accrued benefits of the Plan as of March 31, 2006. At that time, the accrued benefit of each participant became nonforfeitable to the extent then funded. The net assets of the Plan will be allocated as prescribed by the terms and the provisions of the Plan in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended and its related regulations. In addition, the Plan was amended to allow individuals who were hired in 2005 to enter the Plan on March 31, 2006. The Plan is subject to the provisions of ERISA.

Pension Benefits

Employees with five or more years of service are entitled to annual pension benefits, beginning at normal retirement age (age 65). Prior to January 1, 1989, annual pension benefits were equal to 2.25% of final average compensation, less 2.00% of the annual primary Social Security benefit, multiplied by the number of years of service up to a maximum of 25. Effective January 1, 1989, the benefit formula became the greater of: (1) the accrued benefit as of December 31, 1988 based on the former formula; (2) 1.45% of the employees' final average compensation, up to and including a compensation level equal to covered compensation (the average of the Social Security wage bases for the 35-year period ending in the year the employee attains Social Security retirement age) multiplied by the number of years of service up to a maximum of 25, plus 1.95% of the employees' final average compensation exceeding the covered compensation, multiplied by the number of years of service up to a maximum of 25; or (3) the accrued benefit as calculated under a special transition formula for employees who worked for the Employers during the period January 1, 1988 through December 31, 1991 who otherwise had five years of vesting service.

Employees who terminate before rendering five years of eligible service forfeit the right to receive their portion of accumulated plan benefits. Employees receive their benefits as a life annuity payable monthly from their date of retirement.

Plan Merger

On May 1, 2012 Harleysville Mutual Insurance Company was merged into Nationwide Mutual Insurance Company. Effective December 31, 2012, in conjunction with the merger, the Plan merged with the Nationwide Retirement Plan ("NRP"). Accordingly, the associated net assets and benefits and obligations for eligible individuals were transferred to the NRP at this date. As a result, these net assets are reported in the NRP statement of net assets available for benefits as of December 31, 2012. Refer to Note 3 for discussion of the related benefits and obligations.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP").

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions affecting amounts reported in the financial statements and accompanying notes. Significant estimates include benefit obligations and certain investment valuations. Actual results may differ significantly from those estimates.

Contributions

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements. Contributions are recognized when due from the affiliated companies.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

Benefits

Benefits are included to the extent they are deemed attributable to employee service rendered through March 31, 2006. Benefits being provided via annuity contracts are excluded from plan assets and are excluded from accumulated plan benefits.

Investments

Purchases and sales of securities and the related realized gains and losses are recorded on the trade date. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date, reinvested and added to the participant accounts. In addition, investment income includes the realized and unrealized gains and losses on the Plan's investments and other income. These realized and unrealized gains and losses are recognized in net appreciation (depreciation) in fair value of investments in the statements of changes in net assets available for benefits.

Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect the Plan's view of market assumptions in the absence of observable market information. The Plan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In determining fair value, the Plan uses various methods including market, income and cost approaches.

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PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

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These assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

(4) Investments

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PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

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Corporate securities	908	153
Investments in mutual funds	15,909	(4,243)
Other invested assets	(24)	(19)
Net appreciation in fair value of investments	\$ 16,444	\$ (3,787)

(5) Fair Value Measurements

As the Plan net assets were merged with the Nationwide Retirement Plan during 2012, there were no assets held at fair value on a recurring basis as of December 31, 2012.

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Mortgage-backed securities	-	6,099	-	6,099
Corporate securities	-	17,156	-	17,156
Total fixed maturity securities at fair value	\$ 14,562	\$ 25,220	\$ -	\$ 39,782
Investments in mutual funds:				
Institutional Total Stock Market Fund	\$ 91,829	\$ -	\$ -	\$ 91,829
FTSE All World Ex U.S. Fund	22,309	-	-	22,309
Total investments in mutual funds at fair value	\$ 114,138	\$ -	\$ -	\$ 114,138
Other invested assets	-	-	24	24
Total assets at fair value	\$ 128,700	\$ 25,220	\$ 24	\$ 153,944

The following table presents the rollforward of Level 3 assets held at fair value on a recurring basis during the year ended December 31, 2011:

<i>(in thousands)</i>	Balance as of December 31, 2010	Net losses ¹	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Balance as of December 31, 2011
Assets							
Other invested assets	\$ 43	\$ (19)	\$ -	\$ -	\$ -	\$ -	\$ 24
Assets at fair value	\$ 43	\$ (19)	\$ -	\$ -	\$ -	\$ -	\$ 24

¹ The change in unrealized losses included in operations on assets still held at the end of the year was \$(19) for other invested assets.

(6) Funding Policy

The Employers' funding policy is to contribute annually an amount equal to at least the minimum required contribution in accordance with minimum funding standards established by ERISA. Contributions are intended to provide for benefits attributed to service rendered through March 31, 2006. For the plan years ended December 31, 2012 and 2011, Plan Sponsor contributions were \$6,100 and \$10,400, respectively. The Plan's actuarial funding method is the traditional unit credit method.

PENSION PLAN OF HARLEYSVILLE GROUP INC. AND ASSOCIATED EMPLOYERS

Notes to December 31, 2012 and 2011 Financial Statements

(7) Tax Status

The Internal Revenue Service ("IRS") has determined and informed the Plan Sponsor by letter dated October 15, 2009, that the Plan is designed in accordance with applicable sections of the IRC. The Plan Sponsor and Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

**PENSION PLAN OF HARLEYSVILLE GROUP INC.
AND ASSOCIATED EMPLOYERS**

Plan Number: 002
EIN: 51-0241172

Schedule H, Line 4j – Schedule of Reportable Transactions (Series of Transactions)

Year ended December 31, 2012

(in thousands)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>Identity of party involved</u>	<u>Description of asset (include interest rate and maturity in case of loan)</u>	<u>Number of purchases</u>	<u>Number of sales</u>	<u>Purchase price</u>	<u>Selling price</u>	<u>Cost of asset</u>	<u>Net gain or (loss)</u>
Fidelity	Fidelity Institutional Money Mkt Govt #57	18	9 \$	11,077 \$	16,386 \$	16,386 \$	-
Vanguard	Vanguard Institutional Total S	4	2 \$	2,222 \$	106,577 \$	64,933 \$	41,644
Vanguard	Vanguard FTSE All World Ex US Indx Fd	2	1 \$	772 \$	26,452 \$	23,660 \$	2,792
Bank of New York Mellon Trust Operations	EB Temporary Investment Fund	48	18 \$	15,347 \$	15,347 \$	15,347 \$	-

See accompanying independent auditors' report