Definity Financial Corporation

First Quarter 2025 Financial Results Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Definity Financial Corporation First Quarter of 2025 Financial Results Conference Call and Webcast.

At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star, zero for the Operator.

This call is being recorded on Friday, May 9, 2025.

I would now like to turn the conference over to Dennis Westfall, Vice President of Investor Relations. Please go ahead.

Dennis Westfall – Vice President, Investor Relations, Definity Financial Corporation

Thank you. Good morning, everyone. Thank you for joining us on the call today. A link to our live webcast and background information for the call is posted on our website at definity.com under the Investors tab. As a reminder, the slide presentation contains a disclaimer on forward-looking statements, which also applies to our discussion on the conference call.

Joining me on the call today are Rowan Saunders, President and CEO; Philip Mather, EVP and CFO; Paul McDonald, EVP of Personal Insurance and Digital Channels; and Fabian Richenberger, EVP of

Commercial Insurance and Insurance Operations. We'll start with formal remarks from Rowan and Phil, followed by a Q&A session, during which Paul and Fabi will also be available to answer your questions.

With that, I will ask Rowan to please begin his remarks.

Rowan Saunders – President and Chief Executive Officer, Definity Financial Corporation

Thanks, Dennis, and good morning, everyone. We reported our first quarter results last night. They got the year off to an encouraging start and continued to deliver on our financial targets.

In the quarter, solid underwriting income, net investment income, and ongoing contributions from our insurance broker platform resulted in operating net income of $75.9 million or $0.65 per share. The firm market conditions in personal insurance, continued favourable conditions overall in commercial insurance, and our strong broker proposition combined to generate significant growth, as premiums increased 9.6 percent in the first quarter, adjusted for our exited line.

We delivered a 94.5 percent combined ratio in the quarter, as proactive rate actions and continued expense efficiencies largely offset the impacts of an active winter season. Compared to the benign experience in 2024, winter weather led to higher catastrophe losses and a couple of points of higher core accident year experience.

We ended the first quarter with a book value per share of $29.52, up 16.2 percent from a year ago, as we continued to deliver value to shareholders. Our efforts to diversify the profitability of the business in recent years were reflected in our solid net investment income and ongoing contributions from our broker distribution platform, both of which met our expectation for the first quarter. These results combined with solid underwriting income to generate an operating return on equity of 10.3 percent over the past four months despite the significant increase in our equity base and the active catastrophe experience in 2024.

We proactively positioned our investment portfolio during the quarter in advance of the April tariff announcements, moving nearly $250 million out of common equities into government bonds. This defensive posture has helped protect our portfolio in the current environment and further strengthened our financial capacity, which ended the first quarter at $1.8 billion.

Turning to the industry outlook on Slide 6, we believe the operating environment is one that remains conducive to sustaining favourable market conditions overall. We expect conditions in Personal Auto lines to remain firm as insurers aim to keep pace with the combined impact of ongoing cost pressures, regulatory constraints in Alberta, and uncertainty related to the extent and impact of U.S. tariffs and retaliatory actions.

We also expect market conditions in Personal Property to remain firm over the next 12 months, reflecting the active winter season on the back of last year’s record of approximately $9 billion in industry catastrophe losses. While we expect overall Commercial lines conditions to remain attractive, we are seeing that some commercial segments have become more competitive.

Slide 7 illustrates our key financial metrics. As you can see, we met or beat each metric in the first quarter. We are confident that we have the growth platforms to outpace the market over time, and we’ll continue to protect and improve company profitability along the way. We have several organic levers being pulled, aimed at improving operating results in the near term. As such, we are targeting to deliver a sub-95 annual consolidated combined ratio this year. We believe this will enable us to continue driving our operating ROE higher within the guidance range, but recognizing that the challenging weather events from the third quarter of 2024 will weigh on this metric until the second half of this year.

Slide 8 shows the composition of our National Broker platform. We've made great progress in the past few years to develop it into a vehicle to diversify and strengthen the earnings profile of the business. Continued M&A success and the organic growth momentum of the business is expected to result in at least $1.5 billion of managed premiums by the end of 2026, earlier than we originally anticipated.

Operating income in the quarter included $11 million of distribution income, reflecting the typical seasonality of a first quarter, and benefited from a strong level of commission offset. We maintain our expectation to increase operating income from the business by approximately 15 percent in 2025, with a full year 70/30 split between distribution income and commission offset.

With that, I'll turn the call over to our CFO Phil Mather.

Philip Mather – Executive Vice-President and Chief Financial Officer, Definity Financial Corporation

Thanks, Rowan. I'll begin on Slide 10 with Personal Auto. Gross written premiums were up 10.2 percent in the first quarter of 2025, driven by a double-digit increase in written rates and continued unit count growth in the Broker business, reflective of our improved competitive position in a firm market environment and excluding the premiums of our exited lines from both periods. We expect the business to benefit from continued strong retention and the inherent scalability of our digital platforms.

We continue to pursue additional rate and segmentation actions to maintain our target profitability and recently received approval for an additional five points of rate for both Sonnet and Vyne in Ontario. Our disciplined approach includes focusing on areas of the business where we see opportunity for profitable growth. Looking at the remainder of 2025, we expect the full year pace of growth to remain solid in the upper single digits, but we expect some variability from quarter-to-quarter, particularly given the large portfolio transfers that bolstered growth in the middle quarters of 2024.

Personal Auto reported a combined ratio of 97.5 percent in the quarter, up slightly from a year ago, driven by more challenging winter driving conditions versus the benign weather from a year ago, largely offset by earned rate increases and improved Sonnet profitability. Theft continues to be a focus for both us and the industry as a whole. While still elevated from pre-pandemic levels, we've now seen four consecutive quarters of year-over-year improving trends. We have a number of claims initiatives targeted towards auto theft and recovery, which are positively impacting our loss costs and helping our customers. Overall, earned rate levels remain above current loss cost trends, reinforcing our expectations for Personal Auto to generate a mid-90s combined ratio in 2025.

We are continuously monitoring the rapidly evolving tariff situation and are ready to take additional actions as necessary to protect our profitability. We continue to believe the potential impact will be manageable.

Turning to Personal Property on Slide 11, growth of 7.8 percent in Q1 benefited from continued firm market conditions, driving increases in average written premiums. This was partially offset by ongoing active management of our portfolio to address risk concentration in regions with a higher propensity for climate-related peril events. We expect this line to grow at a mid to upper single-digit pace for the full year given the conditions prevalent in the industry. Focusing on the bottom line, we reported a combined ratio of 94.1 percent in Q1, driven by elevated catastrophe losses, partially offset by higher favourable claims development and a decrease in the expense ratio. We continue to target a sub-95 percent combined ratio for the Personal Property line of business in 2025.

Slide 12 outlines the highlights in the quarter for our Commercial business, as double-digit growth in Commercial lines continued, with gross written premiums up 10 percent versus the prior year. Our results in Commercial Insurance reflect favourable market conditions, normalizing inflation, further expansion of our strong small business and specialty capabilities, and a comprehensive value proposition that is well-supported by our broker partners across Canada. While certain segments have become more competitive, we continue to cover the loss cost trends in our Commercial portfolio overall with appropriate pricing and underwriting strategies, which supports our objective for a low-90s combined ratio. We expect that we can maintain our pace of growth at twice the industry growth rate, which should translate into approximately 10 percent growth in 2025.

Commercial lines continue to benefit from our focus on underwriting execution and rate adequacy, with a combined ratio of 90.5 percent in the first quarter of 2025. The improvement in the combined ratio was driven by lower catastrophe losses, higher favourable claims development, and a decrease in the expense ratio, partially offset by a weather-driven increase in the core accident year claims ratio. The decrease in catastrophe losses and the corresponding increase in the core accident year claims ratio was impacted by approximately 1.5 points from the change in definition for a single claim loss in the first quarter of 2025. With a strong performance to start the year, we continue to expect our Commercial Insurance business to sustainably deliver an annual combined ratio in the low 90s.

Putting this all together on Slide 13, consolidated premiums increased 9.6 percent, adjusted for exited lines. The disciplined nature of our growth through our underwriting expertise, pricing strategies, and product expansion, along with a continued focus on expense management, resulted in a first quarter combined ratio of 94.5 percent, up 0.6 points from last year, reflecting the more active winter weather. Our expense ratio of 30.3 percent was a point improved from the prior year, benefiting from the investments we've made to improve productivity, along with our disciplined expense management. The net operating expense ratio continues to benefit from operating leverage having improved from north of 13 percent to 11.8 percent in the quarter and well on its way to our target of 11.5 percent in 2025 and 11 percent in 2026.

Turning to Slide 14, net investment income increased in the first quarter due to an increase in interest income driven by higher holdings of bonds, partially offset by lower dividend income as we reduced our common equity holdings in advance of the recent capital markets volatility. The level of net investment income in 2025 is currently expected to be largely unchanged from 2024, as market yields have fallen below book yields. In the near term, growth is more likely to be driven by new cash deployment into the portfolio rather than incremental yield capture. This outlook reflects our preference to deploy capital into high-yielding investments and distribution and organic growth initiatives and the impact of lower reinvestment yields.

Distribution income in the first quarter increased by $1 million year-over-year, driven primarily by the contributions from acquisitions, combined with solid underlying organic growth. As Rowan indicated, the commission offset was strong in the first quarter, enabling the combined impact to come in slightly ahead of our expectations. We continue to expect the combination of distribution income and commission offset to grow approximately 15 percent in 2025.

As you can see on Slide 15, our financial position remains robust, with close to $1.8 billion of financial capacity. The increase during the quarter was due primarily to capital generated from operating net income and recognized gains on investments, partially offset by capital deployed on broker acquisitions and disciplined deployment of capital to support our organic growth and dividend priorities. Moving a portion of our investment portfolio from common equities to government bonds had the impact of freeing up capital, which added to the benefit from our operating income. Our 16.2 percent increase in book value per share to $29.52 was due primarily to strong operating performance and the return of restricted cash.

Slide 16 shows our recent capital management actions and longer-term priorities. When it comes to deploying our capital, the primary focus remains in support of our robust organic growth strategy. We also intend to continue growing our dividend over time. With an objective to build the Company into a top-five player in the industry, we are actively pursuing inorganic growth, including both insurance carriers and distributors. Following our initial build of the platform via our partnership with McDougall, recent broker acquisitions have been more programmatic in nature, which we expect to continue. As of early May, we have committed to four broker transactions totaling approximately $130 million, of which three have already closed and the fourth is expected to do so by the summer.

With that, I will turn the call back over to Rowan for some final remarks.

Rowan Saunders – President and Chief Executive Officer, Definity Financial Corporation

As we've outlined before, we have three organic levers to improve our operating ROE toward the upper end of our target range. These include improving Sonnet profitability, expense optimization, and the transformation of our claims operations. Beyond this, we require inorganic growth, which would allow us to deploy our excess capital and introduce leverage into the balance sheet, thereby enabling us to target a mid-teen level of returns. Since we did a deep dive into these levers at our September Investor Day, we continue to make progress on all of these organic levers and continue to see an operating environment that is favourable to executing our vision and strategies. We are well on track to deliver the targeted improvements from Sonnet and expenses by the end of 2026.

The third lever, our claims transformation to Guidewire claims centre, is also advancing very well. In April 2024, we began managing our new auto claims on this platform, and the expected benefits in claims resolution, indemnity costs, and expense management are being realized. We're also progressing nicely on transitioning our property and casualty claims to this new system later this year, the final phase of our claims transformation.

With all of this in place, we are well-positioned to deliver the targeted claims improvements by the end of 2027 while delivering better broker and customer experiences.

With that, I'll turn the call back over to Dennis to begin the Q&A session.

Dennis Westfall – Vice President, Investor Relations, Definity Financial Corporation

Thanks, Rowan. With that, we are now ready to take questions.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star, followed by the number one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star, followed by the number two. If you are using a speakerphone, please lift the handset before pressing any keys.

Your first question comes from Tom MacKinnon of BMO Capital. Please go ahead.

Tom MacKinnon – Analyst, BMO Capital Markets

Yes. Thanks very much. Just a question with respect to Auto. Can you give us some colour as to how rate approvals might be progressing in Ontario with respect to Sonnet and the—and your Economical or Definity broker product, and, as well, I think you did mention that—in the fourth quarter, that Sonnet was breaking even? Was that the case again in the first quarter of this year? Thanks.

Paul MacDonald – Executive Vice-President, Personal Insurance and Digital Channels, Definity Financial Corporation

Thanks, Tom. It's Paul here, so a couple of things. As Phil mentioned earlier, we did get approved for 5 percent rate increase in Ontario, and both are Economical and Sonnet portfolios, which is positive.

That's scheduled to hit in May, this month. That's in addition to the rate that we have already flowing through the portfolio. I would respond to your other item by first talking a little bit about the year-over-year performance of Automobile. I just want to highlight that the attritional performance is actually something that we're quite pleased with. If you look, last year was quite benign, to the tune of about 1.5 points better than the long run average. This year was worse, to the tune of about 1.5 points relative to average, and that's about a three-point swing in attritional weather. That's in addition to the CATs that we had; the rate that we mentioned, and our segmentation activities have allowed us to maintain our core accident claims ratio very close to what it was last year despite that wide swing. That's an indication of the strength of our underlying performance, and that's for both the Economical and the Sonnet portfolios.

Now to answer your second question around the profitability, we're very pleased, actually, that the Sonnet Auto portfolio was, indeed, profitable despite what I just mentioned about the attritional and CAT weather performance year-over-year. That represents about 75 percent of the Sonnet portfolio currently. That bodes well for our guidance for the rest of the year of sustaining our profitable position on that Sonnet portfolio.

Rowan Saunders – President and Chief Executive Officer, Definity Financial Corporation

Tom, just to add to that, I think that what we're pleased about is that the loss cost trends have really normalized now, and we're seeing some good signs, and even items like theft seem to be kind of coming back down again. When you think about the period we've been through, it's quite encouraging that we've now got consistent mid single-digit loss cost trends. It's kind of back to normal. Then Paul talked about the rates we're getting, and even the industry is getting about 10 points of rate. It's a fairly firm marketplace in Automobile, and that's helping us not only achieve our rate plans, but positive retention, longer tenure customers, etc. To reinforce Paul's point, we're certainly getting more optimistic about the auto environment and pleased that Sonnet is now contributing versus the investment of the prior years.

Tom MacKinnon – Analyst, BMO Capital Markets

Okay, thanks for that.

Operator

Your next question comes from Jaeme Gloyn of National Bank Financial. Please go ahead.

Jaeme Gloyn – Analyst, National Bank Financial

Yes, first question just on the Sonnet, if you can just dig in a little bit more on the profitability of that business and some of the growth that you're seeing and how much more can you push. Just elaborate a little bit on what kind of profitability and ROE contribution you're getting from Sonnet so far.

Paul MacDonald – Executive Vice-President, Personal Insurance and Digital Channels, Definity Financial Corporation

Yes, Jaeme, thank you. It's Paul again, just to give you a couple of additional points, as I mentioned earlier, we were pleased that we were profitable on that Auto portfolio in Q1 despite the seasonality impact of that, which, again, gives us confidence that we can sustain that profitability target for the remainder of the year. We're doing that on purpose to make sure that we're not going above that element, and, in that, there’s quite a bit of new business that comes in to replace the business that we’re actively removing from the portfolio to help reduce volatility. That’s quite a bit of new business flowing through that, both unit, and as Phil and I said earlier, the rate impacting positively as well.

We’ve got some good momentum in that portfolio around Affinity, for example. The Affinity is now almost 40 percent of our GWP in there, and we continue to move that upward, targeting greater than that. That’s very good business, long-term business, profitable business for us. Our UBI portfolio is now almost 10 percent of our Auto portfolio in there, so that’s showing some good progress. But that being said, what we want to do is be quite prudent about how we accelerate growth. We’ve taken great pains over many years to get that to a breakeven position. We know that there’s quite a bit of volatility in the marketplace—obviously CATs, we’ve talked about a little bit, and there’s a bit of uncertainty in the economic environment. Given that, what we want to do is just be very prudent about adding additional volume, and we’re doing it on a very segmented basis. In the segments where we want to play and we want to produce, we’re seeing the growth that we like, for example, in the Ontario Auto portfolio and the Affinity portfolio that I mentioned earlier. Then other ones, we’re a bit risk off.

One example I’d give you is that previously we withdrew Sonnet Auto from Alberta due to the rate environment there. We did maintain our Sonnet Property portfolio there, but what we have seen over time is quite naturally a lot of those auto customers who have moved their auto policies elsewhere have taken their property portfolio with them. We’ve seen a bit of a reduction in the Sonnet Alberta Property portfolio. We’re actually quite pleased with that, given the Alberta environment around CATs, we think that’s a good risk off position for us. We’ll be very cautious to maintain that and look for opportunities for growth in the future.

Jaeme Gloyn – Analyst, National Bank Financial

Okay, and next question just on the Broker platform and acquisitions that have been made to date, good to see that there's still activity here. But as it relates to the guidance for 15 percent growth in, I guess, distribution income, at what level of acquisition activity would it take to drive an increase in that guidance? What's baked in on an annual basis in terms of acquired written premiums, assuming all else equal, of course?

Rowan Saunders – President and Chief Executive Officer, Definity Financial Corporation

Thanks for the question, Jaeme. When we think about the broker distribution platform, the first point I would say is we're really pleased with not just the strategic benefits we're getting, the adoption and the trading relationship with Definity and how well our proposition has been received as well. The pipeline is pretty significant. I will tell you, that the model that the McDougall's platform is putting into the marketplace is attracting a lot of attention.

We're being disciplined in terms of attracting the right brokers. As you know, it's quite a programmatic approach now. We are trying to get more geographic breadth in there. Most of the deals we've done in the quarter have been Central Canada or Ontario-based. I think the way we look at this is that this business really is a strong organic grower, which is kind of upper single digit. That looks to continue, and then they apply their bolt-on programmatic acquisitions. We kind of keep telling you or updating what those numbers would be.

What would really drive outperformance is converting more transactions through the rest of the year in the pipeline, and I think what we've guided is, look, we started this as a half a billion-dollar business. We thought we'd get to a billion. We got there much faster anticipated. We then guided to $1.5 billion. We're not updating guidance today, but that does look very conservative to us now, given the success that we've had, and in terms of the annual guidance, we've said 15 percent. When you take both components that impact our bottom line, which is the commission offset in addition to the distribution income, we're growing more like 20-ish percent in the first quarter, not the 15 percent. Maybe that at least gives you some insight into the direction of travel and the kind of confidence that at least we will achieve the guidance for the year.

Jaeme Gloyn – Analyst, National Bank Financial

Yes, very helpful. Thank you.

Operator

As a reminder, if you wish to ask a question, please press star, followed by the number one. Your next question comes from Brian Meredith of UBS. Please go ahead.

Brian Meredith – Analyst, UBS Securities

Yes, thank you. Rowan, I was hoping, could you maybe give us a little more detail into what's going on with the Commercial lines pricing environment? I know you mentioned there's certain areas that are getting a little more competitive, I know large ticket property is. Are you seeing that spread down at all? What's the environment looking like?

Rowan Saunders – President and Chief Executive Officer, Definity Financial Corporation

Yes. I'm going to ask Fabi to kind of pick that up and give you more insight, but I would just start off by saying that where we play, it's actually looking pretty reasonable for us. A couple of things I like that the team are doing, we're keeping high retention. That is good based on our proposition. The areas of growth, we're very comfortable with, and when you step back, you see us, again, 10 percent growth where we have a target of twice the industry.

I would say the industry in aggregate is recognizing, based on strong margins, there is less inflation than there was prior year, so the need for rate to maintain the margin at an industry level is a little lower. That is a good thing, but as you call out, we are seeing some evolution in the marketplace, but still very attractive and happy to keep growing at the pace in the areas we are, but Fabi, why don't you provide some more colour into Brian's question about the competition, but also touch on where we're getting our growth from.

Fabian Richenberger – Executive Vice-President, Commercial Insurance and Insurance Operations, Definity Financial Corporation

Yes, yes. No, glad to do that, Rowan. Thank you, Brian, for your question. I think there are two or three additional underlying data points in addition to what Rowan mentioned that give us a lot of confidence when we look at our Commercial results overall. I think the first one is that we are really pleased with our rate and retention numbers, and our frontline teams are doing a really good job executing our business plans and mitigating the impact of what is now a less firm market environment.

If you look at our disclosures, the growth rate that we achieved in Q1 is 10 percent, and what I always point out is that more than half of that growth rate is being generated with rate and inflation adjustments, and that is very much showing the loss trends that we have in our portfolio, and that gives us a great deal of confidence that we'll be able to sustain our margin position and our low 90s combined ratio guidance. As I mentioned, we are also pleased with our retention numbers in what is now a more competitive environment. It really shows the strength of the value proposition that we have in the marketplace.

Our retention numbers are holding quite nicely in that mid-80s level. As Rowan mentioned, we have more retention success in the small business segment, and the retention that we have in the large account segment that is more subject to more intense pricing pressure is lower, and that very much illustrates our willingness to walk away from large accounts if the margin equation doesn't make sense. I guess the main point that we're communicating with you is that we are really benefiting from our Commercial portfolio being skewed to the lower end of the commercial marketplace in terms of account size and exposure base, and that just gives us an excellent opportunity to optimize rates and retention.

Maybe the other point I want to add is that obviously we are reviewing what type of new business we are writing on a weekly and monthly basis as well, and here as well, if you look at our Q1 numbers, we are just very confident in terms of how our frontline teams are executing our game plan. The vast majority of the growth that we've had in Q1, about 5 percent PIF growth, the vast majority of that growth is in that small business segment as well. As you know from our Investor Day, from prior calls, we have very strong digital capabilities in the segment, and here as well, it just mitigates the impact of price quite effectively. Overall, it's a more competitive environment, but we have the resilience. We have the underwriting capabilities. We have the team doing an exemplary job, executing a game plan, and so we have confidence that we can continue to grow the Commercial business at twice that industry growth rate and to sustain our margin position overall.

Maybe the last point for me to share, complementing what Rowan mentioned as well, on the Commercial side as well, loss trends are normalizing. As you know, we've seen increased inflation post-COVID that resulted in higher loss trends, resulted in higher rate needs, but that number is now normalizing as well. The loss trends are coming down, which means that we need less rate to sustain our profitability, so we would expect that the industry growth rate overall will be in that mid single range level, around 5 percent. As I said, overall, based on the capabilities that we have built over the last few years, we are confident that we can sustain our guidance of low-90s combined ratios and grow the Commercial business at twice the industry growth rate that we just mentioned.

Brian Meredith – Analyst, UBS Securities

Great. That's helpful, and then second question, I know it's a fluid situation and not as big of an issue up in Canada, but Rowan, maybe you could give us some updated thoughts on what potential impact tariffs would have on loss cost inflation across your lines of business.

Rowan Saunders – President and Chief Executive Officer, Definity Financial Corporation

Yes, Brian, the main message there is that we have been spending lots of time modelling, anticipating, tracking this, and I think that the main message remains it's very manageable for the P&C industry, including Definity. In fact, the tariff exposure to outperformance has been diminishing over the last kind of number of weeks with some of the changes, and when we step back at the aggregate level, about 6 percent of our loss cost base, is actually exposed. It was higher before, and therefore, whilst it mostly affects the Auto line, we really think it's not too difficult and not that material to our portfolio.

Brian Meredith – Analyst, UBS Securities

Wonderful. Thank you.

Operator

Your next question comes from Paul Holden of CIBC. Please go ahead.

Paul Holden – Analyst, CIBC World Markets

Thanks. I just have one question. You talked about sort of mid single-digit inflation in Personal Auto. You also talked about 5 percent rate increases coming through in Ontario and on top of existing rate increases, so maybe just an update on what you have in the system in terms of auto rate increases, both in terms of written and earned premiums.

Paul MacDonald – Executive Vice-President, Personal Insurance and Digital Channels, Definity Financial Corporation

Paul, thank you. It's Paul again. Just to clarify, we have a double-digit rate flowing through the system currently. As I mentioned, we have an additional five points of rate flowing through our Ontario portfolio starting in May. That's on top of the rate that, as I outlined earlier, was already covering our trend. If you look at our overall portfolio, we're still looking to have written and earned rate in the high single, low double-digit range. That's to cover the trend that you mentioned, any potential increases in tariff exposure, which, as Rowan mentioned, right now, we don't believe are unmanageable, and while theft is improving, as Rowan also mentioned, it's still a little bit elevated. Just to give you a point, prior to the pandemic, the theft impact was about two points of loss ratio. It's still just under three, so it's still elevated relative to that, but when you look at all of these things together, including the attritional weather impacts, we feel quite comfortable that our rate trajectory is more than sufficient to cover these trends, also cover any of the volatility, and help us maintain our guidance and our outlook.

Paul Holden – Analyst, CIBC World Markets

I had one question, but you know I'm going to ask a second one. Any kind of observation on change in trend or concern on the BI side? I know there has been higher claims inflation in BI, I think in Alberta specifically. Just checking to see if that's improved, getting worse, same, or if you're starting to see the same in Ontario Auto.

Paul MacDonald – Executive Vice-President, Personal Insurance and Digital Channels, Definity Financial Corporation

Hi, Paul, it's Paul again. No change. We're still maintaining the outlook that we had before. We still had slight elevation in Alberta, but we're—we've taken the necessary action in that space. Nothing material really to call out in Ontario, so we continue to watch that space quite carefully to make sure that we cover any anticipated trends, but there's essentially no change in what's moving.

Paul Holden – Analyst, CIBC World Markets

Okay, good, good. I'll leave it there then. Thank you.

Operator

As a reminder, if you wish to ask a question, please press star, followed by the number one. Thank you, ladies and gentlemen. That concludes our question-and-answer session. I will now turn the conference back over to Dennis Westfall. Please go ahead.

Dennis Westfall – Vice President, Investor Relations, Definity Financial Corporation

Thank you, everyone, for participating today. The webcast will be archived on our website for one year. A telephone replay will be available at 2 PM today until May 16, and a transcript will be made available on our website. Please note that our second quarter results for 2025 will be released on July 31. That concludes our conference call for today. Thank you and have a great one.

Operator

This concludes today's conference. Thank you for attending. You may now disconnect your lines.