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Definity Financial Corporation

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Definity Financial Corporation First Quarter of 2026 Financial Results Conference Call and Webcast.

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

This call is being recorded on Friday, May 8, 2026.

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

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

Thank you and 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 for discussion on the conference call.

Joining me on the call today are Rowan Saunders, President and CEO, Philip Mather, Chief Financial Officer, Fabian Richenberger, Chief Operating Officer, Paul MacDonald, EVP of Personal Insurance and

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

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

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

Thanks, Dennis, and good morning, everyone.

This quarter marks a pivotal moment for our Company, as these are the first results to reflect our new position as a top five P&C insurer in Canada, following the closing of the transformative Travelers transaction on January 2. The transaction accelerates our ambition to build a Canadian champion in several ways.

Beyond advancing our leadership position, the combination adds significant scale to our operations, diversifies our product mix into attractive new segments, and substantially deepens our broker relationships across the country. Just as importantly, it enhances our talent and capabilities by bringing the deep expertise of the new team members into our organization. We've been very pleased to see strong retention of key talent since the transaction was announced.

In short, this acquisition has created a more powerful and resilient business, and our strong first quarter results are the first evidence of that enhanced potential. The integration is moving at a remarkable pace, as you can see on Slide 5. To provide a tangible example, we have already harmonized the new business intake channels from our combined broker network, meaning that as of February, all new business is being written as a single, unified Definity offering.

Building on that success, the process of converting existing policies began in April. This rapid progress is a testament to our disciplined playbook and the incredible work of our dedicated integration teams. This early success reinforces the powerful strategic rationale of the deal and is most evident in our synergy plan. We have already achieved an annual run rate of $36 million in expense synergies by quarter end, putting us in an excellent position to deliver on our three-year $100 million target. Given this momentum, we now expect approximately one-third of this target to earn into underwriting income in the first 12 months alone, a significant acceleration of our plan. These are tangible cost savings already being realized.

The synergy plan is a key component of a larger story about value creation. The acquisition solidifies our pathway to a sustainable mid-team operating ROE, a target we intend to achieve through two distinct but complementary set of drivers, which you can see illustrated on Slide 6. First is the continued execution of our organic improvement plan. You can see the progress we've made on our three organic levers. We have already achieved a break-even level of performance from Sonnet, are on track to deliver our targeted operating expense enhancement by year end, and are well positioned to achieve at least another point of benefit from our claims transformation by the end of 2027. This organic engine remains a fundamental part of our strategy.

Second, the Travelers transaction acts as a powerful accelerator, adding at least another 200 basis points of ROE improvements on top of our organic plan. This comes from three primary inorganic levers. One, the direct impact of the $100 million in expense synergies I've just discussed. Two, the step change in net investment income from a much larger asset base. Three, the benefit of creating a more efficient balance sheet by deploying excess capital and introducing leverage.

When you put it all together, the path forward is clear. The combination of our demonstrated organic improvement plan with the powerful financial levers unlocked by the Travelers transaction gives us a high degree of confidence in our ability to deliver a sustainable mid-teen operating ROE post-integration.

Turning to our performance in the first quarter on Slide 7, we delivered strong results across the board. From a top line perspective, gross written premiums grew by over 35 percent, a solid start towards our full year guidance of $6.5 billion. Our overall profitability was a standout this quarter. We delivered a strong consolidated combined ratio of 92.9 percent, and for the first time in our history, generated over $100 million in underwriting income in our first quarter. Achieving this level of profitability while integrating a business of this scale is a testament to the strong underlying performance across our portfolios and the discipline of our teams.

Our diversified earnings power was also on full display this quarter. Our national broker platform, a key strategic pillar for us, showed excellent momentum with operating income growing by nearly 25 percent year-over-year. This powerful distribution engine, combined with our strong underwriting results and more than 60 percent increase in net investment income, produced an operating EPS of $0.97 cents and an operating ROE of 13 percent. This clearly demonstrates the value and resilience of our diversified business model.

Turning to the industry outlook on Slide 8, we expect overall conditions in personal auto to remain firm as insurers aim to keep pace with the combined impact of loss cost trends, ongoing regulatory constraints in Alberta, and uncertainty related to the extent and impact of macroeconomic factors. We also expect market conditions to remain firm in personal property over the next 12 months as the industry continues to remain diligent, taking underwriting and pricing actions required to fund weather loss events amid heightened climate risk.

In commercial insurance, while we expect overall commercial lines market conditions to remain attractive, we have seen competition intensify in the large account space. We continue to expect overall industry growth to be in the low to mid-single digits over the next 12 months, varying by segment. Against this backdrop, our sophisticated pricing models, modern technology platforms, and disciplined underwriting give us a distinct advantage. We are confident in our ability to navigate these industry trends effectively, select the right risks, and price our products appropriately to deliver sustained, profitable growth.

In summary, this was an important quarter for Definity. We successfully closed a transformational acquisition while demonstrating strong early progress on integration and synergy capture, and have delivered robust operating results in a dynamic market. We are confident that we are building a formidable leader in the Canadian market, one that delivers sustained value for our customers, our brokers, and our Shareholders.

With that, I'll turn the call over to our CFO, Phil Mather, to discuss the results in more detail.

Philip Mather — Chief Financial Officer, Definity Financial Corporation

Thanks, Rowan.

As already mentioned, the diversified earnings power of our combined business was evident with strong performance from all our profit drivers. Slide 10 illustrates that our consolidated gross written premiums grew by an impressive 35.4 percent to $1.4 billion, driven primarily by the successful onboarding and strong retention of the acquired business, complemented by continued solid organic growth. This growth translated into a 41 percent increase in net underwriting revenue.

Our consolidated underwriting income was a record for a first quarter at $100.1 million, resulting in a combined ratio of 92.9 percent. This represents a 1.6 point improvement from a year ago, a particularly strong result given the inclusion of the acquired business, and demonstrates the strength of our underlying portfolio as we absorb the initial impact of the acquisition ahead of realizing planned synergies.

I'll now provide some more detail on our lines of business, starting with personal auto on Slide 11. Gross written premiums grew by over 35 percent in the first quarter of 2026, due primarily to the acquired premiums and continued rate achievement. I'll point out that the contribution from the acquired business varies significantly by quarter, demonstrating the highest growth in Q1. For the full year, we anticipate growth to be in the low 30s for personal auto. The combined ratio of 97.5 percent was consistent with a year ago, as we absorbed the temporary and expected impact of the acquired business prior to realizing synergy benefits.

In personal property on Slide 12, we delivered top line growth of 37.3 percent, again driven by the acquired premiums and continued rate achievement. Unlike personal auto, we expect a more consistent quarterly rate of growth in property throughout 2026. We delivered a robust first quarter combined ratio of 85 percent, a significant improvement of 9.1 points from the prior year. The improvement in the combined ratio was driven by a decrease in catastrophe losses, which were largely in line with expectations in the first quarter of 2026, compared to elevated levels in the first quarter of 2025, and a decrease in the core accident year claims ratio.

Turning to Slide 13 on Commercial insurance, top line growth was 34 percent from a year ago, bolstered by the acquired premiums, as well as pricing increases and ongoing market share gains in small business and specialty lines. As the integration progresses, we anticipate an increasing pace of growth in Commercial lines gross written premiums in subsequent quarters, and maintain our expectation for it to represent approximately one third of overall Company premiums in 2026. The combined ratio of 93.9 percent, which increased as expected, reflects the solid profitability of this business. This resulted from the inclusion of the acquired business and its associated expenses, which we expect will temporarily increase the core claims and expense ratios prior to the benefits of future planned synergies.

Looking forward, this acquisition meaningfully expands our growth potential in this business, as you can see on Slide 14. The addition of specialized talent and deep expertise unlocks segments where we previously had limited or no presence. For example, adding capabilities in areas like professional liability, ocean marine, and cyber expands our total addressable market in Commercial lines from $27 billion to approximately $34 billion. This nearly $7 billion increase in market opportunity gives us a significant new runway to profitably grow our Commercial business in years ahead.

Turning to Slide 15, net investment income grew over 60 percent to $79.9 million. This was driven primarily by the large asset base from the acquisition, in addition to our proactive repositioning as fixed income yields increased. Given this strong performance on our view of the current yield environment, we now expect our net investment income for the full year 2026 will be approximately $320 million. Our broker distribution platform operating income grew by nearly 25 percent, driven by strong policy growth and favorable contingent profit commissions earned on a high-quality portfolio.

As indicated last quarter, commission income grew as a proportion of overall broker operating income, now reflecting our ownership of the acquired business. For the full year, we maintain our guidance for growth of approximately 20 percent in broker operating income. The combined performance of our underwriting, investment, and distribution operations generated operating net income of $118.1 million, or $0.97 per share, representing a 55 percent increase from a year ago. Our trailing 12-month operating ROE also increased to 13 percent.

Now turning to some early wins on the Travelers transaction, which illustrate the disciplined financial execution we brought to the acquisition, I'll point you to Slide 16 for the details. Across the board, the execution and financing have exceeded our initial modeling. First, the transaction itself was more efficient than planned. Reinsurance renewal outcomes were materially better than expected, and overall acquisition costs are tracking approximately 10 percent below our expectations. Second, our financing outcomes were highly favorable. Interest rates on our new debt were 40 basis points lower than modeled. Furthermore, by repaying a term loan five months earlier than expected, we saved approximately $15 million in future interest expense.

The discipline continues with our synergy plan on Slide 17. While Rowan mentioned our strong start, this slide provides a transparent look at both our progress and the associated costs. On the left, you can see we're at a $36 million run rate for synergies, with $6 million realized in our Q1 underwriting results. While these initial savings are largely from the elimination of U.S. parent company service charges and proactive attrition management, the next phase of synergies will be driven by technology platform consolidation and operational efficiencies as the integration progresses. Just as importantly, the right side shows the costs to achieve these savings. To date, we have incurred approximately $93 million in acquisition costs and recorded $44 million of integration-specific expenses, keeping us firmly on track with our total estimate.

The benefits of this disciplined execution are also clearly visible on our balance sheet, as shown on Slide 18. Our debt-to-capital ratio is already down to 26.8 percent, approaching our long-term target of 25 percent, well ahead of our 24-month guidance. Even after funding this major acquisition, our total financial capacity remains robust at more than $1.1 billion, putting us in an enviable position to fund future organic growth and deliver on our capital priorities. This disciplined execution underpins our financial strength and the strong results we've reported today.

With that, I will turn the call back over to Rowan.

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

Thanks, Phil.

To conclude, this quarter represents a launch point for the new Definity. We have successfully closed a transformational acquisition. Our demonstrating strong early progress on integration and synergy capture and have delivered robust operating results. This performance validates our strategy and highlights the durable value of our diversified business model. With strong contributions from underwriting, distribution, and investments, we are confident that our modern platform and clear growth strategy have us well positioned to continue building a Canadian champion. As we pursue our updated goal of becoming a top three P&C insurer, we remain focused on discipline execution, technology and analytics, broker partnerships, and broad-based growth.

Finally, I want to touch briefly on our commitment to innovation. As we announced in March, we are expanding our strategic relationship with Google Cloud by deploying Gemini Enterprise for all Definity employees, making us one of the first Canadian companies to adopt it company-wide. This is a key step in our journey to grow our digital and AI advantage.

Our approach is about more than just technology. It's about empowering our employees to unlock innovation, foster creativity, and boost productivity. By embedding these intelligent tools directly into our daily workflows, we are reshaping how we work to drive efficiency and deliver exceptional experiences for our brokers and customers. This initiative builds on more than a decade of experience leveraging AI, and we are confident it will further strengthen our operational resilience and cement our position as one of Canada's leading and most innovative P&C insurers.

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 the star followed by the one on your touchtone phone. You will hear a prompt that your hand has been raised. If you wish to decline from the polling process, please press star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys.

The first question comes from John Aiken of Jefferies. Please go ahead.

John Aiken — Analyst, Jefferies

Good morning, Phil. In terms of the change in the balance sheet, I completely understand how you are driving down the leverage ratio, but can you talk about the mechanics of the MCT ratio that drove the increase in the quarter? Granted, I found it a little bit surprising, but I'm sure there is something that I missed in the calculations.

Philip Mather — Chief Financial Officer, Definity Financial Corporation

Yes, thanks, John. You do see that the MCT ratio is higher than we'd normally operate it in Q1. that was really born out of prudence on the way into the acquisition. A couple of things happened there. First thing is the overall balance sheet, generally speaking, was in a strong position. What we acquired had additional asset base attached to it, and that additional asset base rolls into the consolidated MCT position. that was, if you look at the consolidated goodwill, there's about $100 million there of additional value that we have acquired through that transition piece. Goodwill and intangibles, you don't get any capital credit for that, so that plays through there.

I think the other things I would say, which were more on the prudent positioning side, the reinsurance structure we acquired, we changed that on the renewal. We actually took that acquired business to our risk appetite. In doing so, that created some additional comfort and protection against insurance risk. That contributed close to $100 million of effective management. Essentially, we're buying at a risk appetite level that's commensurate with our overall organization. That provides some support.

The last key element I'd reference would be the overall mix within the investment portfolio. You know, what we acquired was a very fixed income, high quality dominated portfolio. We pretty much left that the same. When you put those two together, effectively, that dials back your insurance risk and creates some additional excess capital out of the transaction. I'd say in summary, what we've done is, you know, we've recognized that we've increased the overall level of the insurance activity. We've increased some operational risk as we go through this transition. We've dialed that back with some additional reinsurance protection to our appetite. We've taken the insurance risk component back a little bit as well.

The final thing I'd say is, we were going through the first quarter. We wanted to prudently position the Company as we go through that transition. We've admittedly left a little bit more capital down in the insurance operations, just as we navigate through that official, initial first couple of quarters of integration.

John Aiken — Analyst, Jefferies

Fantastic, Phil. Thank you very much. I'll requeue.

Operator

Thank you. As a reminder, if you have any questions, please press star one now. Next question comes from Brian Meredith with UBS. Please go ahead.

Brian Meredith — Analyst, UBS

Hi. Yeah, a couple of questions here for you. First one, I'm just curious on the $100 million of expense synergies, since they're coming through faster than expected. Do you think there's upside to that number?

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

Brian, I think the point we would make there is we're very, very pleased with the start. I mean, you remember, we're just 90 days into this integration. But the reality is we did guide that we would be earning it faster than originally thought. If you think about, we've said that it's $36 million of triggered synergies, and we think that'll one third of the total will be earned into the first year. That's a bit of an acceleration.

But I think as we look at the initial stages here, we feel very confident about the ability to deliver at least that $100 million. I'm delighted with the accelerated timeline that the team has been able achieve. We're not reforecasting that at this stage, but I would say that our confidence level is extremely high.

Brian Meredith — Analyst, UBS

Great, that's helpful. I'm just wondering, is it possible to get a sense of what, call it the run rate, combined ratio, I don't know what combined ratio was in commercial and personal, if you strip out Travelers? I'm just trying to get a perspective that as things get implemented here, what the true margin is for the business.

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

No, I think the way to look at that is that, firstly, we're very happy with the performance of the quarter, right? That 92.9 percent is a very strong result in a quarter that typically has a little bit more challenge to it. Overall, you take the two businesses that we have kind of guided, that Travelers would really move the combined ratio up by about two points on aggregate.

That's going to move a little differently by line of business. We think that in commercial lines there's more of a three-point impact there. In personal auto, it's more like two, and it's about one point in personal property. It'll give you a bit more of a sense of the early implications of that. Of course, that is all pre-synergies that we are very confident we could execute over the next couple of years.

Brian Meredith — Analyst, UBS

That's really helpful, and thank you. Then last quick question here, is it possible to get a sense of what the, call it organic growth rate was in the quarter? Is it possible for you all to give us those numbers here for the next couple of quarters so we understand what the underlying business is doing?

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

Yeah, we'll do that. I'll ask Phil to give you a bit of colour on that because it does vary a little bit by line of business. I mean, I think the macro point would be what was really important for us here in our first quarter of this integration was to secure the business and then keep the combined, the core business, running along at the performance level than it was. I must say we're delighted we can do that.

We'll give you the detail, but I think the main message is the retention of the Travelers business has been very strong. That is actually each of the three lines of business. That's really important, as you know, that's what we've acquired. We wanted to make sure we can keep it. We wanted evidence that the customers and brokers like the value proposition. That's the good story. Then I think the other item is that there still is good organic growth overall through our business. But maybe, Phil, it's worthwhile you unpacking that a bit.

Philip Mather — Chief Financial Officer, Definity Financial Corporation

Yeah, thanks, Rowan. Firstly, if you just look at the total growth in the first quarter of 35.4 percent to $1.4 billion overall, first comment I'd make is obviously that's off to a very solid start, opposite our $6.5 billion target that we're aiming for, for 2026. We'd say about 80 percent of that growth is coming through the acquired business in the first quarter. Now, attribution to that gets less simple as time goes on, because with the pace of integration, we've already unified the new business offering. Trying to split that between the acquired operations versus the underlying run rate activity gets more complex as you go.

That said, if you take the 35.4 percent and you just simply isolate out the impact of the retained premiums that we acquired through the deal, the split for that is just over 27 percent is coming from the retention of the acquired premiums in the quarter. Just over 8 percent is coming from the underlying organic growth of the business, combined with the Travelers new business contribution in that quarter.

For context, that 27 percent from the acquired business, that's running at about an 82 percent retention rate for that block of business. That's already within just a couple of points of our company-wide retention rate. As Rowan said, that's already positioned us in a very good place for the continuation of that acquired block of business.

If you go into a line of business basis, I'll just do the same splits. On personal auto, about 26 percent is coming from the retention of that newly acquired block. About 9 percent is coming from the underlying growth of the business and the Travelers new business contribution. That retention is about 79 percent on the acquired book, which is very, very close to about 80 percent that we see in the Definity legacy business. You're almost already at the same levels of retention, despite the fact that we're only one quarter in.

Similar story on personal property, you have about 25 percent coming through the acquired business, about 12 percent is coming from the organic growth and the Travelers contribution. That's about an 88 percent retention rate against the 90 percent for the Company. Again, very high and very close to our normal run rate.

In commercial lines, you see about 31 percent is coming from the acquired block and just over 3 percent is coming from that underlying organic growth and the Travelers contribution. With again, very good retention rates in the low 80s on commercial lines, within four points of what we see as a total

Company level, which is a very good contribution in a quarter, but there's a lot of disruptive activity going on.

If you step back and try to infer what's happening on an underlying basis, personal auto, we'd say we're growing in the upper single digit range. Personal property, we're actually contributing in the low double digit range. In commercial lines in the first quarter, we grew about in the low mid single digit range.

If you look forward, just to put some colour on that, you are going to see variability this year between the lines of businesses and the quarters. For personal auto, we're guiding to the low 30s for the balance of the year. That's really a function of the relative size of the Definity book to the Travelers which is a wider gap as you look out to the rest of the year. Personal property, we'd say that's much more consistent in the mid to upper 30s range, similar to what you saw in Q1. In commercial lines, we actually see the growth rate increasing into the upper 30s range over the balance of the year, driven by a couple of factors on these higher organic growth levels in the underlying business, moving back into that mid single digit range. Then also continued capture of the retention of that acquired book as we go through conversion.

Overall, we are very happy with where we've started. Puts us in the spot of the $6.5 billion, and we're very pleased to see that continued organic growth.

Brian Meredith — Analyst, UBS

Great colour, Phil. Thank you so much. It was great.

Philip Mather — Chief Financial Officer, Definity Financial Corporation

Okay. Thanks so much.

Operator

Thank you. The next question comes from Bart Dziarski with RBC Capital Markets. Please go ahead.

Bart Dziarski — Analyst, RBC Capital Markets

Great, thanks. Good morning, everyone. Apologies if this has been asked already, but wanted to ask around the financial capacity of $1.15 billion post-deal close. I think that's higher than we would have expected. A good result there. Maybe just give us a bit more detail on what drove that level. Then as we look out, you have excess capital. How are you thinking about deploying that? Or do you want that to build a little bit before you deploy it further? Thanks.

Philip Mather — Chief Financial Officer, Definity Financial Corporation

Yeah, thanks, Bart. In terms of what drove the financial capacity, yeah, we're super pleased. We've just completed and funded a $3.3 billion dollar transaction, and we leave with a billion dollars, more than a billion dollars in the first quarter after that. That's obviously a great spot for us to be.

In terms of where it's landed, I think there's a couple of things there. One for sure is that when we actually closed the transaction and we looked at the opening balance sheet position that we acquired, that was in a very good position, in excess of what we would have originally planned. That original, that passage of time between the deal announcement and the actual balance sheet closure, we ended that in a very good spot. That obviously was a good contribution to the overall position of the Company.

We also took some actions just around managing the overall risk profile. We brought the reinsurance into alignment. We brought the equity position in the investment portfolio down on a blended basis. In essence, what we've done is we've de-risked a little bit on investment risk and we've utilized our reinsurance structure to de-risk the insurance risk as an effective tool to provide some cushion against the increased operating leverage. Those two items provide us with good effective excess capital over and above the required regulatory levels.

Then the last thing I'd say is just very strong performance. If you look at that first quarter, there's over close to $120 million of operating earnings that comes through there. That's really helped contribute as well and generate good capacity for us.

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

Bart, I would say, we're very happy with that capital generation. Our story remains very consistent to think about how we deploy our capital. We do see good organic growth. We do obviously keep moving our dividend upwards. Despite the fact that we're in the middle of this transformational integration of Travelers, it's looking very well.

Our experience is that this would not put us on the sideline for other opportunities that come by. Certainly, when you think about the time between initiation and closing. We're happy to keep building up some of that capital because our conviction is that there will continue to be M&A opportunities in the Canadian marketplace over the next couple of years.

Bart Dziarski — Analyst, RBC Capital Markets

Got it. Thanks for that. Very helpful. Then a question around the operating ROE of 13 percent last 12 months. There's lots of moving pieces. I know there's like puts and takes to it. But could you help us walk through maybe what do you view as the core ROE, if you will, if you strip out those puts and takes, just because there's a lot going on this quarter and last 12 months? Thanks.

Philip Mather — Chief Financial Officer, Definity Financial Corporation

There sure is. I think what we'd say is that if you look back on the trailing 12-month basis, it doesn't feel like it, but we actually had a relatively benign CAT period overall. If we look at our expectations, just on a normalized basis, we expect annual CAT losses of approximately four to five points with most of that happening in Q2 and Q3, compared to last year where Q1 which was the quarter most impacted by CATs. There's probably about a point and a half of operating ROE support that came through that period of time. Now, that wasn't the story a couple of years ago, obviously. But if you look at that trailing 12, that's what's with them.

Looking ahead, there's a little bit of a headwind. We still have the averaging in of the equity raise to come, although most of that is behind us. We're still pretty productive in terms of the equity generation that we expect to come in the rest of the year. If you ask me where we stand today, we're around the midpoint of that 10 percent to below-teen kind of operating range that we'd expect to be in. We've got good conviction that the pathway we're on, the organic levers, and the contribution of the Travelers deal, once we get to that fully synergized place, that's the really clear kind of pathway that we're looking at to get us up into the mid-teen level. But right now, I'd say we're around the midpoint of that target range in terms of where we stand.

Bart Dziarski — Analyst, RBC Capital Markets

Great. Thanks for taking my questions.

Operator

Thank you. The next question comes from Tom MacKinnon with BMO Capital Markets. Please go ahead.

Tom MacKinnon — Analyst, BMO Capital Markets

Yeah, thanks. Good morning. Just a question with respect to your favourable reserve development guide. I think it was always one to three, so just correct me if I'm wrong there. Has the acquisition of the Travelers Canada book changed that at all? They may have. Sometimes what can happen is they can beef up the reserves just prior to the acquisition.

Philip Mather — Chief Financial Officer, Definity Financial Corporation

Yeah. Thanks, Tom. In terms of PYD, the historic range we've delivered is about the one to two point range. I think that we see as a pretty consistent expectation going forward. You see this quarter is a good indication of that. We were kind of bang smack in the midpoint of that range.

With the Travelers book of business coming on, I think we still think that's a pretty good guidance point. We've taken a really robust look at the opening balance sheet. We've done some good work around that. What I'd say on that is we've kind of brought that reserving position up to Definity's standards. We've taken a good thorough scrub. We feel confident about that opening balance sheet position.

At this point, we'd say on a go forward, it's a good reason to continue to have conviction in that one-to-two-point range. We'll obviously watch it very closely as we move forward. But really, I think the key story for us was no surprises in that review. We were very happy with the quality of the liability position that we inherited. We brought it in line with our expectations going forward. That's kind of how we feel, mostly as the next few quarters unwind.

Tom MacKinnon — Analyst, BMO Capital Markets

Thanks.

Operator

Thank you. Next question comes from Paul Holden with CIBC. Please go ahead.

Paul Holden — Analyst, CIBC

Thank you. Good morning. Just want to see if there's any, now that the book has landed, I want to see if there's any changes in terms of plans to or need to reprice any certain lines of business, geographies, or products. You're still happy where you think Travelers is?

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

I Paul, it’s Rowan. I think we got the gist of your question. Unfortunately, we just had a little bit of choppiness in hearing you there. I think what we got was, are we happy with the Traveler's portfolio? Is there any particular portfolios that we need to reprice? If that is the case.

I think we said through our due diligence that we thought this was a break-even business. I think having a quarter in, when we said that, there clearly was more of an opportunity to come in line with us on the expense side than the loss ratio side. That, again, varies a little bit by line of business. Personal auto probably had the most loss. There will be two things happening there. There will be their own rate filings that started last year earning through. Then as it converts onto our platform, the portfolio will become aligned with Definity binding rules, segmentation, and pricing. That's just automatically going to happen over the conversion cycle. Then the other two lines of business, there are not any material segments or portfolios that don't fit our appetite or need significant actions.

Paul Holden — Analyst, CIBC

I'll only ask one more question. You pointed out intensifying competition in commercial large accounts. How should we think about the way Definity is responding to that? Is it simply, are you actually shrinking exposure to that segment of the market?

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

Obaid can give you some colour on that one there, Paul. I think the main point for us and what we're signaling there is that the market is conducive to delivering our plans overall. The competition has intensified in a certain segment of that business. That is really what we define as the large commercial elements of that. That's a significant portion of the industry. The way we structured our portfolio, we're less exposed to that. We have less than 20 percent of our commercial business exposed to the large account segments. But of course, we do have a playbook on how we manage this environment and those trends. Maybe, Obaid, could you just add some colour into the impact, what's happening, policy count by segment?

Obaid Rahman — Executive Vice-President, Commercial Insurance, Definity Financial Corporation

Absolutely. Thank you, Rowan. Thank you for the question, Paul. I'll maybe start with, as we've mentioned in a couple of quarters, that the market is bifurcated where competition is most intense in the large account segment. As Rowan just said, over 80 percent of our business is not in that segment. When we look at the renewal book that we have, we have strong retention, and we're still getting strong rate on the majority of that book. We don't really have any concern with how the renewal portfolio is performing, the margin it's holding, no concerns there.

When you get to the new business side of it, this is where the discipline in our underwriting strategy is leading to a shift in mix, where we're writing more smaller accounts versus larger accounts. What that's doing is, it's having an impact on the overall growth, premium growth percentage by about a couple of points, but we are gaining market share, maintaining our margin and we're continuing to grow the customer base and the PIF count.

Overall, when we sit back, as we've mentioned, there are maybe three levers that we look at from our perspective, how things will go and where the growth will come from. One, we've talked about how well the Traveler's integration is going. We expect that retention of that book to continue to strengthen as we move forward. We're already very close to where the Definity retention is.

In addition to that, we've gone through Q1, which has been a transition quarter. We've been onboarding new underwriters, some of the new capabilities. We launched three new products towards the end of Q1. The first wave of production underwriters from the Travelers side got deployed towards the end of Q1. The second wave is coming in Q2. What we see is that extra capacity that will come on board, as well as the new products and capabilities that will keep on rolling through the year. That will give us a boost in growth, as well as the structural advantage that we have, that we've got the digital platforms on the small business side. Our specialty market share gain is still underway.

Putting it all together, our view would be that we're managing the cycle with a lot of discipline in terms of preserving margin. Our small business specialty, as well as the Travelers capabilities come on board, will continue to give us market outperformance and be sort of in that mid-single digit range as we go through the year.

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

Paul, one of the points that I think gives us a lot of comfort is that where we are winning a lot of unit count, it really is the small business and specialty area. That's the digital advantage that we're winning and competing on. Then the other part of the point I would point you to is if you look at the accident year claims ratio, you can see that it's up only 2 percent with the Travelers acquisition coming in. That portfolio is really the synergies. That's mostly expenses that flow through pre-synergized books. If we looked at that and said, “What would that look like on a normalized basis post the synergies,” you see that there's no deterioration in the accident year result. That's a very encouraging trend for us.

Paul Holden — Analyst, CIBC

Good. Okay. Thanks. Thanks for taking my questions and thanks for the answers. I'll leave it there. Thanks.

Operator

Thank you. We have no further questions. I'll turn the call back over to Dennis Westfall for closing remarks.

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

Thanks, Joanna. We understand there's been some issues with sound quality. We will do our best to update any missing parts in the transcript and have that posted on the website.

Thank you, everyone, for participating today. The webcast will be archived on our website for one year. A telephone replay will be available at 2:00 P.M. today until May 15 and a transcript will be made available on our website. Please note that our second quarter results will be released on July 30.

That concludes our conference call for today. Thank you and have a great weekend.

Operator

Thank you, ladies and gentlemen. This concludes our conference call for today. We thank you for participating. We ask that you please disconnect your lines.