

Research Update:

Liverpool Victoria Financial Services Outlook Revised To Positive; Affirmed At 'BBB'

August 14, 2025

Overview

- Liverpool Victoria Financial Services (LVFS or the mutual) has demonstrated its ability to generate robust operating profits over the last two years as an independent mutual.
- We believe that the improvements in earnings could lead to a sustained improvement in LVFS' fixed-charge coverage.
- We have therefore revised our outlook on LVFS to positive and affirmed our 'BBB' issuer credit and financial strength rating, as well as our 'BB+' rating on its subordinated debt.
- The positive outlook indicates that we could raise our rating over the next two years if LVFS continues to sustain current levels of operating performance, leading to fixed-charge coverage reaching and remaining at or above 4x.

Rating Action

On Aug. 14, 2025, S&P Global Ratings revised its outlook on Liverpool Victoria Financial Services Ltd. (LVFS) to positive from stable. At the same time, we affirmed our issuer credit and financial strength ratings on LVFS at 'BBB' and affirmed our 'BB+' rating on LVFS' subordinated debt.

Rationale

The outlook revision reflects LVFS's improved operating performance in recent years. In 2024, the mutual reported a profit before tax of £51 million and generated £55 million in operating capital under the Solvency II framework. The mutual also continued to show growth in product sales. In particular, LVFS' protection business grew by 12%. The mutual has also achieved modest growth in equity release sales, where we expect to see further growth in 2025.

LVFS has taken meaningful steps in recent years to improve its operating performance, which had previously been a driver that constrained our assessment of its funding structure.

Although its leverage metrics are broadly in line with those of peers, the group's historically limited operating earnings resulted in a consistently weak fixed-charge coverage--often close to

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or below zero. This weakness was partly driven by the sale of its non-life business, which had previously contributed a substantial share of group profits. In 2023, LVFS' unadjusted fixed-charge coverage turned positive at 5.5x, reflecting stronger operating performance and reduced interest costs following the partial repurchase of its subordinated debt. In 2024, unadjusted coverage remained positive at 3.0x, with continuing solid performance. Should the group sustain fixed-charge coverage at 4.0x or above over the next two years, we may consider revising up our funding score assessment.

The mutual holds a healthy surplus above our 99.99% confidence level in our model, which remains a key strength supporting the rating. Based on the mutual's recent performance, we expect this position to be maintained over the next two years. The mutual's solvency ratio at year-end 2024 was 185% (on a regulatory basis); our forecast for 2025-2026 shows this remaining at 160%-200%. Since the 2019 sale of its general insurance arm to Allianz, the group has redirected focus toward long-term stability--investing almost £165 million in strategic initiatives. In parallel, the mutual has reduced its operational costs and returned sale proceeds to members. Over the next two years, we expect LVFS to taper off its strategic investment program as the major phase of modernization concludes, which should help finance bonus payments to members more sustainably, of which £29 million was paid in 2024.

Outlook

The positive outlook indicates that we could upgrade LVFS' over the next two years if the company sustains its improved operating profits such that its fixed-charge coverage consistently reaches or exceeds 4x, while also maintaining capital in excess of the 99.99% confidence level.

Downside scenario

We may revise the outlook to stable if LVFS does not generate sufficient operating profits over the next two years to achieve and maintain fixed-charge coverage consistently above 4x, or if non-operating expenses and member distributions result in capital falling below the 99.99% confidence level.

Upside scenario

We could raise the ratings by one notch in the next two years if we see evidence that LVFS' operating performance has improved enough to maintain fixed-charge coverage consistently above 4x while maintaining a clear excess of capital at the 99.99% confidence level.

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Rating Component Scores

Business Risk Profile	Satisfactory
Competitive position	Satisfactory
IICRA	Low risk
Financial Risk Profile	Satisfactory
Capital and earnings	Very strong
Risk exposure	Moderately high
Funding structure	Moderately negative
Anchor	bbb
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	BBB/Positive/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	BBB/Positive/--
Foreign currency issuer credit rating	--

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions](#), Nov. 15, 2023
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Insurance | General: Insurers Rating Methodology](#), July 1, 2019
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Liverpool Victoria Financial Services Ltd.](#), March 31, 2025

Ratings List

Ratings list

Ratings Affirmed; Outlook Action

	To	From
Liverpool Victoria Financial Services Ltd.		
Issuer Credit Rating		
Local Currency	BBB/Positive/--	BBB/Stable/--
Financial Strength Rating		

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Ratings list

Local Currency	BBB/Positive/--	BBB/Stable/--
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Ratings Affirmed

LV Bonds PLC

Subordinated	BB+
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