The Purple Book 2022

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## Insolvency risk

This chapter looks at the rate of insolvencies in DB scheme sponsors, compared to the overall company insolvency rate in England and Wales, and insolvencies by scheme size.

## Summary

- This chapter shows the annual insolvency rate for employers in the PPF universe and companies in England and Wales. It also shows the number of England and Wales company insolvencies compared with the rate of UK real GDP growth. Finally, it shows a proxy for insolvency risk over the next year, for different scheme sizes.
- The average insolvency rate in the PPF universe has decreased by 0.43 percentage points to 0.24 per cent at 31 March 2022.
- Conversely, the average annual insolvency rate of companies in England and Wales increased by 0.23 percentage points to 0.67 per cent at 31 March 2022. This was caused by an increase of 49 per cent in the number of company insolvencies observed in England and Wales each year.
- UK real GDP growth was 8.7 per cent in Q1 2022, up from -5 per cent in Q1 2021.
- In aggregate, larger schemes tend to have a lower insolvency risk than those with fewer members.

Figure 6.1 | Annual insolvency rates\*

The rate of insolvencies for the PPF universe fell to a historical low of 0.24 per cent. However, the rate of insolvencies in England and Wales increased to 0.67 per cent, which is similar to rates observed between 31 March 2015 and 31 March 2020.



PPF insolvency rate
England and Wales company insolvency rate

Source: PPF, Office for National Statistics (ONS)

\* The England and Wales company insolvency rate has been calculated based on the 2.5 million companies in England and Wales that are VAT/PAYE registered with HMRC. Insolvencies in England and Wales account for around 95 per cent of UK insolvencies. In comparison, there are around 13,500 companies in the PPF universe, or around 12,000 if companies that participate in multiple schemes are only counted once.



Figure 6.2 | England and Wales underlying company insolvencies (seasonally adjusted)

The number of insolvencies in England and Wales increased by 49 per cent in the year

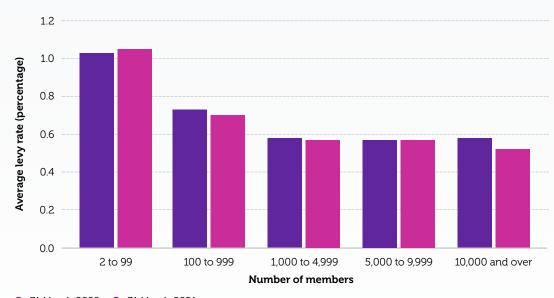
to 31 March 2022 compared with the year to 31 March 2021. UK real GDP has risen by

13.7 percentage points over the same period.

Figure 6.3 | Average levy rates of sponsoring companies by scheme membership size\*

Note: as the ONS and UK Insolvency Service revise their methodology and receive new data, the figures for

Schemes with the fewest members tend to have sponsors with higher insolvency probabilities.



31 March 202231 March 2021

previous time periods may be updated.

Source: ONS and the UK Insolvency Service

\* Schemes' risk-based levy rates, as used in calculating the PPF levy, have been used as a proxy for the insolvency probabilities

Source: PPF