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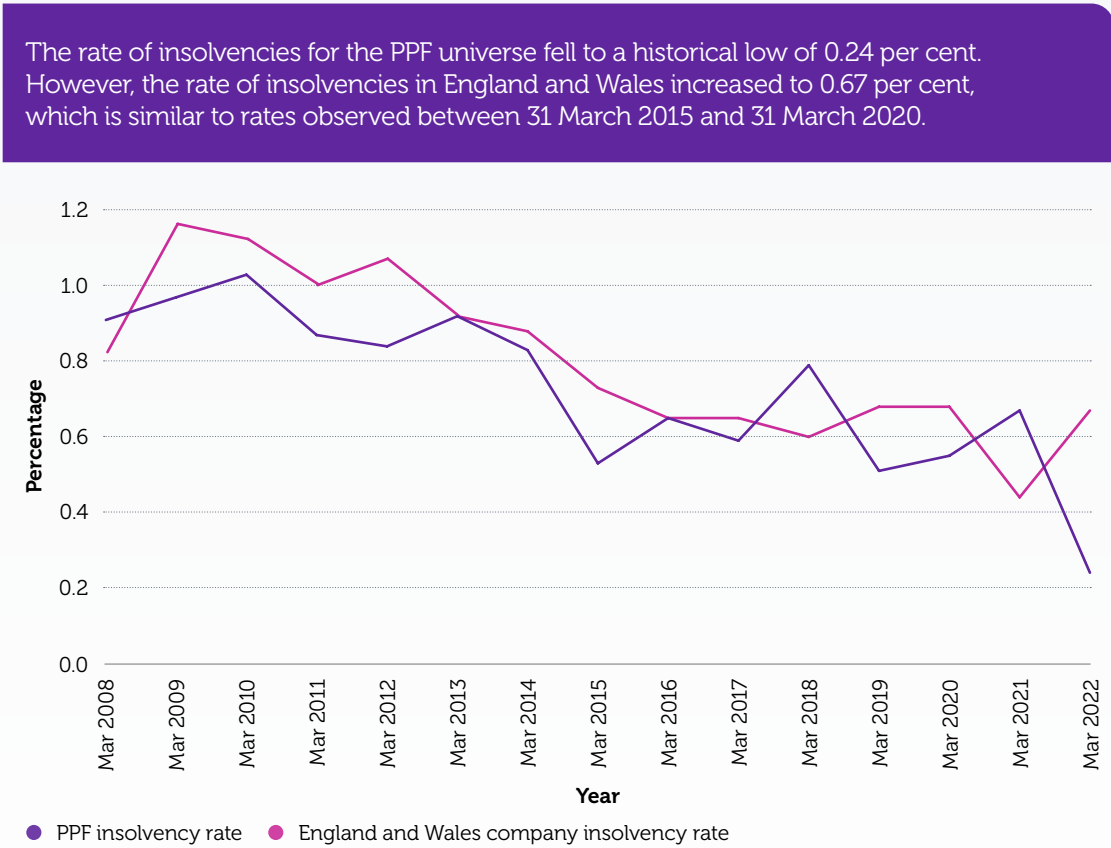
Insolvency risk

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\*



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)

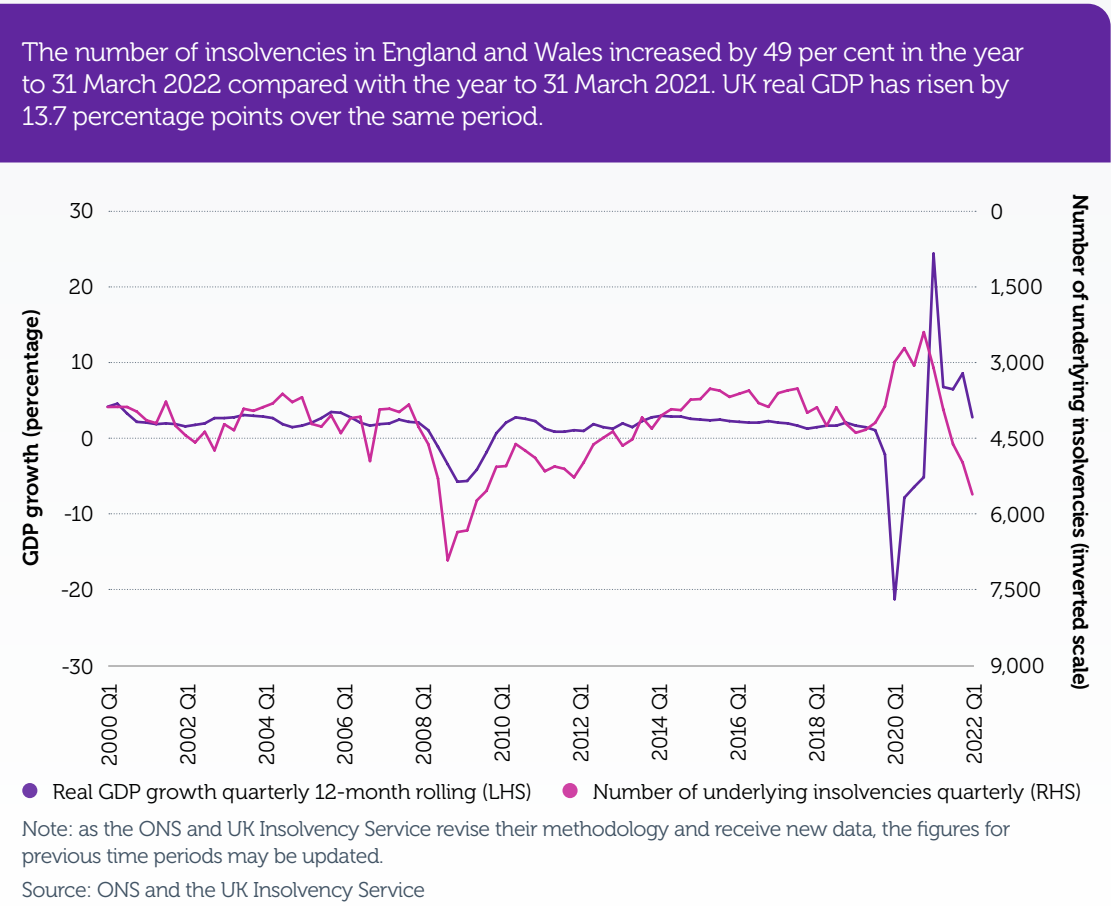
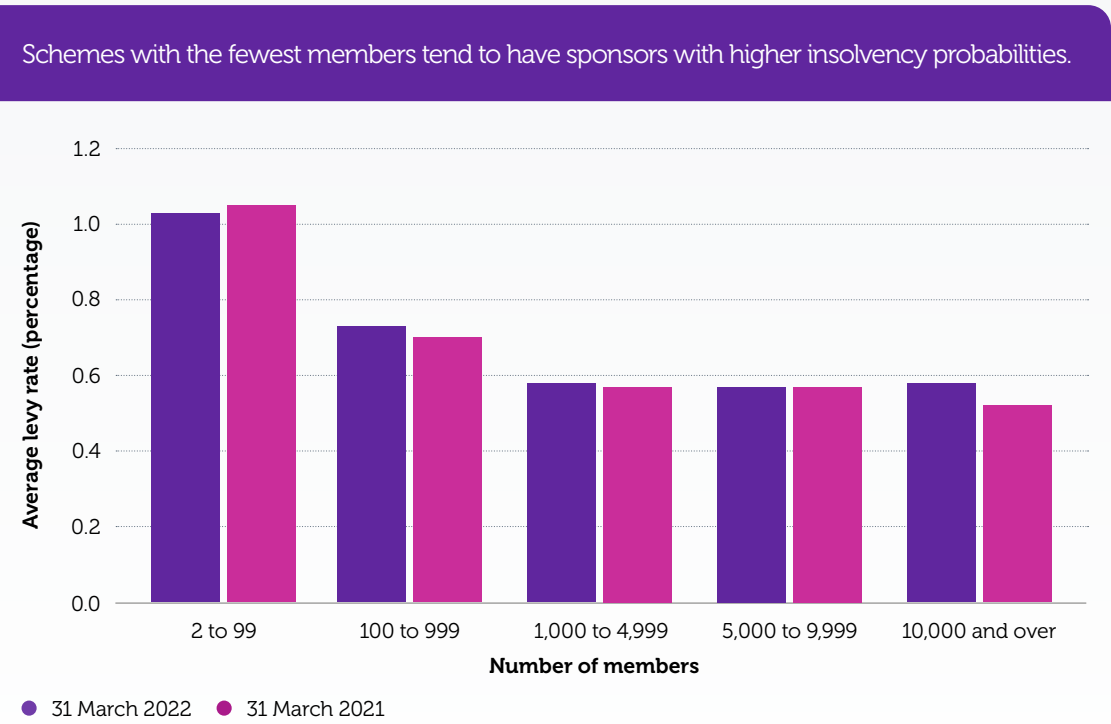


Figure 6.3 | Average levy rates of sponsoring companies by scheme membership size\*



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

Source: PPF