

## Liquidity Premium Estimation Service

Providing you with an independent view

The liquidity premium – the concept that illiquid assets have lower prices than equivalent liquid ones – has recently emerged from relative obscurity to become a major issue in financial reporting (MCEV) and regulatory capital assessment (Solvency II) in European insurance. As a result, a liquidity premium estimate is likely to become an ongoing requirement for insurance company valuation and reporting.

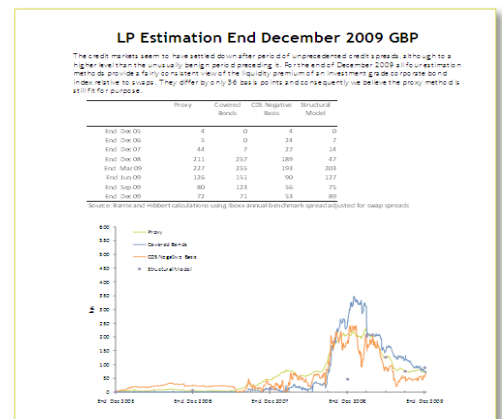
The Liquidity Premium, however, is not something that can easily be observed, and without any observable reference points against which to verify your own methods, it's easy to doubt your estimates.

### Get an informed view

We believe that you need to look at a number of different methods in order to appreciate the shortcomings of each of the different approaches and to help you formulate a view as to what might be the most appropriate method.

Our Liquidity Premium Estimation Service gives you an independent view which can be used to inform your choice and to compare with any centrally set benchmarks.

The Liquidity Premium Estimation Service estimates the liquidity premium of an investment grade corporate bond index relative to swaps. We cover the EUR, USD and GBP economies as standard. There are two elements to this service:



### 1 Quarterly estimation report

For every economy you subscribe to you, you will receive a quarterly estimation report. This contains:

- + Details of four different estimating methods.
- + Short commentaries on the results, with explanations of possible reasons for any outliers.
- + Insight into how well the proxy method aligns with other estimates.

### 2 Methodology document

This provides the details of the methods and data used for each estimation method.

- + A new version of this document will be supplied each time we update our methods.
- + Includes explanations about any issues with the method.

## Rely on our knowledge and experience

Barrie & Hibbert was established in 1995 by John Hibbert and Andrew Barrie. We provide a range of software modelling tools, research and consulting services to a wide range of financial institutions and strategic partners.

Our primary focus is the identification, quantification and management of financial risk in savings and investment products, institutional portfolios and life and pensions balance sheets. We have developed a powerful library of financial models that can be used to understand the complicated joint financial relationships that drive uncertainty in long-term financial plans.

### Our people

The world-class reputation of our products and services is testament to the outstanding quality of our people. Barrie & Hibbert has one of the largest teams in the world committed to the commercial development and delivery of stochastic models – a team that includes financial experts and academics, economists, mathematicians and actuaries, all working together to bridge the gap between financial market theory and practice.

As well as those who build, develop, deliver and support our models, we employ experienced market practitioners who know how to integrate and align our products to specific clients' needs. This close engagement with our clients helps us to stay ahead in our ever-evolving marketplace and ensures that our clients reap maximum benefit from our products and services.

The outstanding level of our people's expertise has established Barrie & Hibbert as the world's leading provider of stochastic modelling tools.

### We never stand still

Because the needs of our clients are constantly changing, we never stand still. Our dedicated research team is always at the leading edge, constantly working to enhance our products. This future-proofing, which is the cornerstone of our business, is also supported by strong links to practitioners, regulators and academia.

### Our clients speak volumes

Over the years we have built up an impressive client base and over 65% of major global insurers now use Barrie & Hibbert models to support the measurement and management of economic risk capital. Many of the global actuarial and accountancy consultancies use our models as part of their service offerings.

## Find out more

Find out how Barrie & Hibbert can help your business manage risk more effectively.

Contact your usual account manager or email us at [info@barrhibb.com](mailto:info@barrhibb.com)

Our research papers and reports can be found at [http://www.barrhibb.com/topic/liquidity\\_premium/](http://www.barrhibb.com/topic/liquidity_premium/)

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