FINANCIAL SERVICES COMMISSION

IFRS 17 Discount Rate Curves as December 31, 2024
Produced by the Financial Services Commission

January 2025

A. Introduction

Following a review of the parameters of the model developed in 2023, the Financial Services Commission (FSC) has updated its IFRS 17 compliant reference curves, with the updated parameters detailed in **Appendix 1**. **Figure 1** illustrates the discount rates developed by the FSC as at December 31, 2024. The curves will assist the FSC in evaluating the reasonableness of discount curves used to value insurance contracts and review the adequacy of actuarial reserves and other policy liabilities of registered insurance companies. The FSC will not require insurance companies to use the curves developed by the FSC.

B. Discount Rates as at December 31, 2024

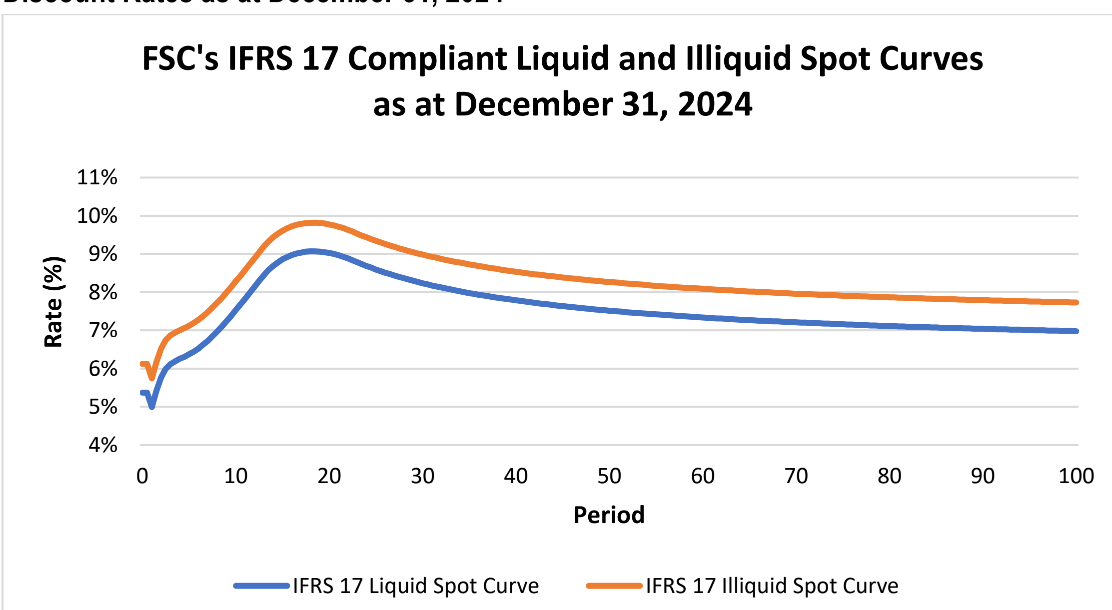

Figure 1: FSC's IFRS17 Liquid and Illiquid Curves as at December 31, 2024

A copy of the rates used to derive the curves illustrated in **Figure 1** can be found by clicking the following hyperlink:

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Appendix 1

Parameters used by the FSC in the development of IFRS 17 compliant discount rates as at December 31, 2024.

Subject	Model Parameters
Model Construction	Bottom-up approach.
Bond Universe and Data sources	Government of Jamaica (GOJ) bond data obtained from Bloomberg excluding outliers and bonds with terms less than 1 year. 3-mth, 6-mth and 9-mth Treasuries.
Fitting Approach	The Nelson-Siegel-Svensson[1] parametric model.
Last Observable Point[2] (LOP)	13 years.
Sovereign Credit Risk Adjustment	0.33% Sum of Expected Credit Loss and Unexpected Credit Loss. Credit losses calculated using a Loss Given Default (LGD) of 15%.
Ultimate Risk-Free Rate (URFR)	6.45% A hybrid[3] approach involving historical GDP growth and target inflation set by the BOJ with a ±0.25% limit on how much the URFR changes annually.
Interpolation Approach	Linear interpolation over 10 years using forward rates.
Illiquidity Premium	Bid-mid spread on GOJ bonds for liquid insurance contracts and a flat 75 basis points (bps) over the liquid curve for illiquid insurance contracts.

[1] A model used for generating the term structure of interest rates and estimating yield curves.
[2] The term of the asset with the longest maturity for which there is a quoted price from an active market. An active market is one in which transactions for an asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
[3] An approach that includes both retrospective and prospective indicators to derive the ultimate risk-risk free rate.