FINANCIAL SERVICES COMMISSION

IFRS 17 Discount Rate Curves as at December 31, 2025
Produced by the Financial Services Commission

February 2026

A. Introduction

Following a review of the parameters of the model developed in 2024, 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, 2025. 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, 2025

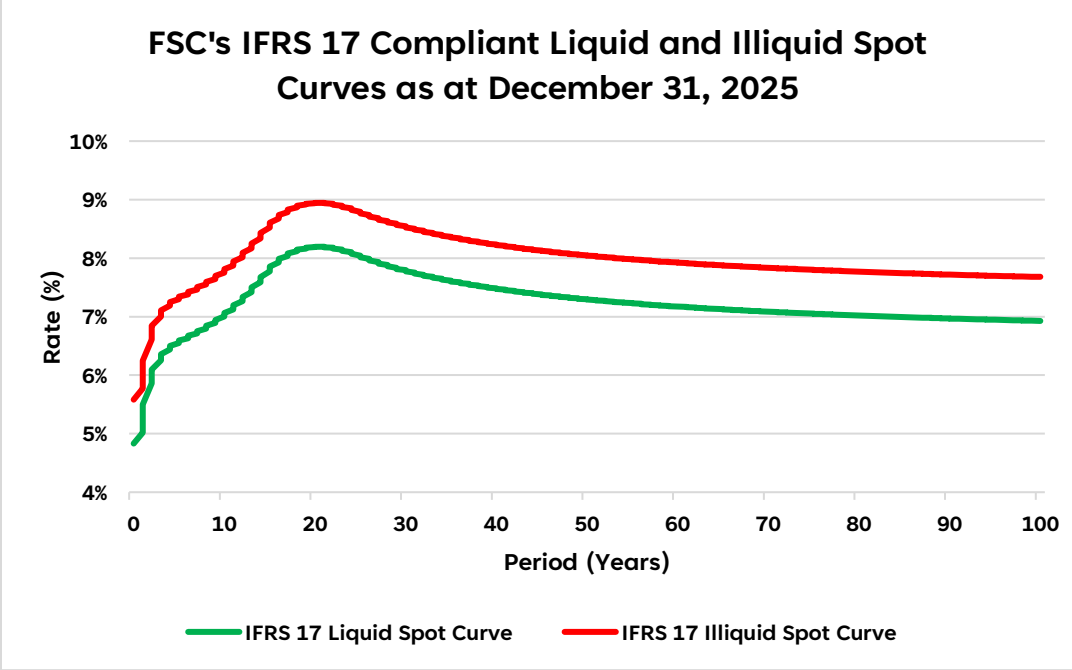

Figure 1: FSC's IFRS17 Liquid and Illiquid Spot Curves as at December 31, 2025

A copy of the rates used to derive the curves illustrated in **Figure 1** can be found by clicking the following hyperlink:
Bulletin - IFRS 17 Rates - December 31, 2025 - Financial Services Commission

C. Ultimate Risk-Free Rate

The Ultimate Risk-Free Rate (URFR) represents the long-term equilibrium rate to which the forward rate curve is assumed to converge in the absence of short-term market fluctuations. The FSC derives the URFR using a hybrid approach, combining long-term historical GDP growth data with the Bank of Jamaica's (BOJ) target inflation range, subject to an annual change limit of ±0.25%. This methodology ensures that the long-term rate remains both stable and consistent over time.

In accordance with **Section 2.3.2** of the **LICAT Instructions** (*AR-GUID-2025/06-0005*), life insurers must discount best-estimate and shocked cash flows at the rates specified by the FSC. As such, the URFR forms an integral component of the FSC-prescribed discount rate curve, and the rate of 6.56% as at December 31, 2025 must be used by life insurers in the calculation of the insurance risk components of the LICAT.

Appendix 1

Parameters used by the FSC in the development of IFRS 17 compliant discount rates as at December 31, 2025.

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)	15 years.
Sovereign Credit Risk Adjustment	0.29% 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)	6.56% 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.