

INSURANCE COMMISSION OF THE BAHAMAS



To: ALL REGISTERED AND LICENSED INSURANCE COMPANIES

Date: FEBRUARY 28, 2025

Re: **INSURANCE COMMISSION OF THE BAHAMAS IFRS 17 DISCOUNT RATES FOR 2025**

The Insurance Commission of The Bahamas (the Commission) has prepared a 2024 reference yield curve in keeping with the method prescribed under the IFRS 17 standard. The methodology used in the production of this curve is largely the same as the prior year with data points updated to reflect the data available as at December 2024. The 2023/2024 presentation to industry on the “Development of IFRS 17 Compliant Discount Rates for The Bahamas” is attached for ease of reference. The changes in methodology for the development of the 2024 spot rates are outlined in the Appendices of this notice

Insurance companies are not mandated to use these spot rates in the development of the yield curve. However, those companies that use internally developed discount rates are encouraged to follow the method prescribed in the previously released ICB Guidance Note on IFRS 17 Discount Rates.

The Commission appreciates your participation in the consultation process for the Commission’s Guidance Note on IFRS 17 Discount Rates. The feedback received was invaluable and appropriate amendments are being made to the Guidance Note. The Commission will publish the final Guidance Note by the end of quarter 1 2025.

Appendix 1 – IFRS 17 Spot Rates as at December 2024

Maturity	1	2	3	4	5	6	7	8	9	10
IFRS 17 Liquid Spot Rate	2.5%	2.9%	3.2%	3.6%	3.9%	4.2%	4.4%	4.6%	4.9%	5.0%
IFRS 17 Illiquid Spot Rate	3.1%	3.5%	3.8%	4.2%	4.5%	4.8%	5.0%	5.2%	5.5%	5.6%
Maturity	11	12	13	14	15	16	17	18	19	20
IFRS 17 Liquid Spot Rate	5.2%	5.4%	5.5%	5.7%	5.8%	5.9%	6.0%	6.1%	6.2%	6.3%
IFRS 17 Illiquid Spot Rate	5.8%	6.0%	6.1%	6.3%	6.4%	6.5%	6.6%	6.7%	6.8%	6.9%
Maturity	21	22	23	24	25	26	27	28	29	30
IFRS 17 Liquid Spot Rate	6.4%	6.5%	6.6%	6.7%	6.8%	6.9%	6.9%	7.0%	7.0%	7.0%
IFRS 17 Illiquid Spot Rate	7.0%	7.1%	7.2%	7.3%	7.4%	7.5%	7.5%	7.6%	7.6%	7.6%
Maturity	31	32	33	34	35	36	37	38	39	40
IFRS 17 Liquid Spot Rate	7.0%	7.0%	6.9%	6.9%	6.8%	6.8%	6.8%	6.7%	6.7%	6.7%
IFRS 17 Illiquid Spot Rate	7.6%	7.6%	7.5%	7.5%	7.4%	7.4%	7.4%	7.3%	7.3%	7.3%
Maturity	41	42	43	44	45	46	47	48	49	50
IFRS 17 Liquid Spot Rate	6.6%	6.6%	6.6%	6.5%	6.5%	6.5%	6.5%	6.4%	6.4%	6.4%
IFRS 17 Illiquid Spot Rate	7.2%	7.2%	7.2%	7.1%	7.1%	7.1%	7.1%	7.0%	7.0%	7.0%
Maturity	51	52	53	54	55	56	57	58	59	60
IFRS 17 Liquid Spot Rate	6.4%	6.4%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.2%
IFRS 17 Illiquid Spot Rate	7.0%	7.0%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.8%
Maturity	61	62	63	64	65	66	67	68	69	70
IFRS 17 Liquid Spot Rate	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.1%	6.1%	6.1%	6.1%
IFRS 17 Illiquid Spot Rate	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.7%	6.7%	6.7%	6.7%
Maturity	71	72	73	74	75	76	77	78	79	80
IFRS 17 Liquid Spot Rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.0%	6.0%	6.0%
IFRS 17 Illiquid Spot Rate	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.6%	6.6%	6.6%
Maturity	81	82	83	84	85	86	87	88	89	90
IFRS 17 Liquid Spot Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
IFRS 17 Illiquid Spot Rate	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
Maturity	91	92	93	94	95	96	97	98	99	100
IFRS 17 Liquid Spot Rate	6.0%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
IFRS 17 Illiquid Spot Rate	6.6%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

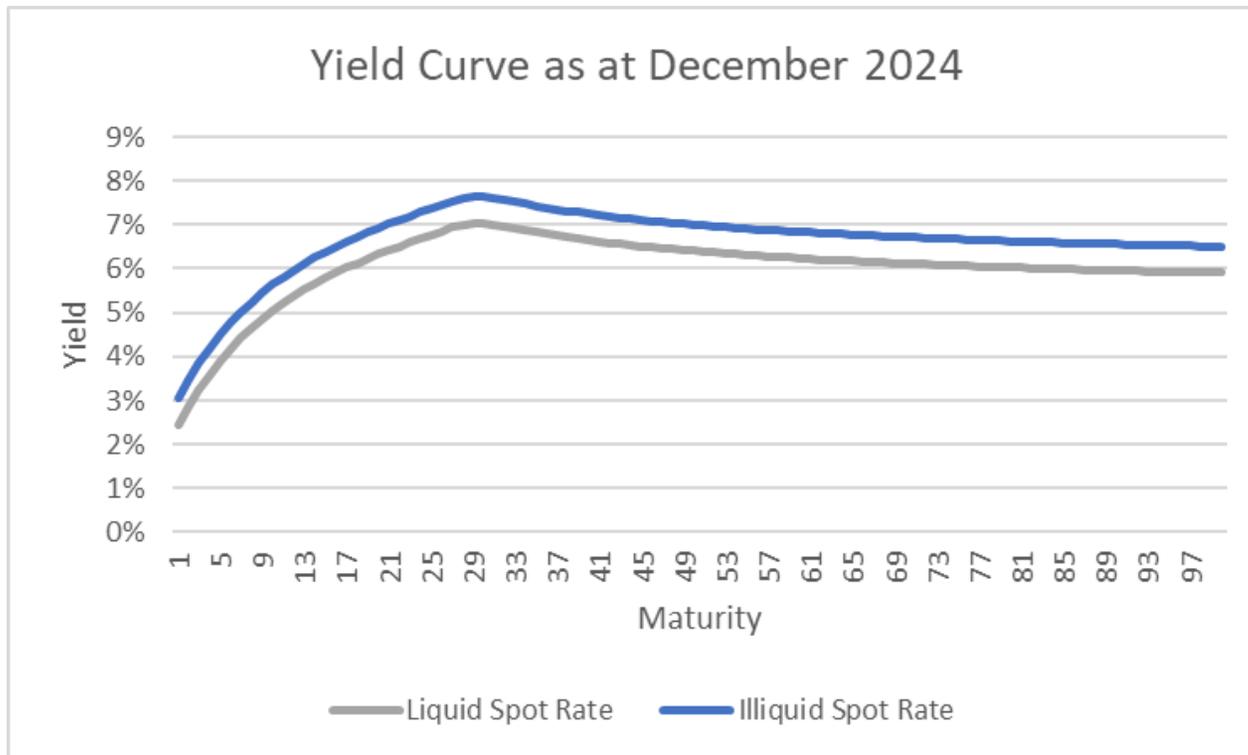


Appendix 2 – IFRS 17 Spot Rates as at December 2023

Maturity	1	2	3	4	5	6	7	8	9	10
IFRS 17 Liquid Spot Rate	2.2%	2.6%	2.9%	3.3%	3.6%	3.8%	4.1%	4.3%	4.5%	4.7%
IFRS 17 Illiquid Spot Rate	2.9%	3.3%	3.7%	4.0%	4.3%	4.6%	4.8%	5.1%	5.3%	5.5%
Maturity	11	12	13	14	15	16	17	18	19	20
IFRS 17 Liquid Spot Rate	4.9%	5.0%	5.2%	5.3%	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%
IFRS 17 Illiquid Spot Rate	5.6%	5.8%	5.9%	6.1%	6.2%	6.3%	6.4%	6.6%	6.7%	6.8%
Maturity	21	22	23	24	25	26	27	28	29	30
IFRS 17 Liquid Spot Rate	6.1%	6.2%	6.3%	6.4%	6.5%	6.5%	6.6%	6.7%	6.8%	6.8%
IFRS 17 Illiquid Spot Rate	6.9%	6.9%	7.0%	7.1%	7.2%	7.3%	7.4%	7.5%	7.5%	7.6%
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Maturity	41	42	43	44	45	46	47	48	49	50
IFRS 17 Liquid Spot Rate	6.6%	6.6%	6.6%	6.6%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
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IFRS 17 Liquid Spot Rate	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.2%
IFRS 17 Illiquid Spot Rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Maturity	81	82	83	84	85	86	87	88	89	90
IFRS 17 Liquid Spot Rate	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
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Maturity	91	92	93	94	95	96	97	98	99	100
IFRS 17 Liquid Spot Rate	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
IFRS 17 Illiquid Spot Rate	7.0%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%



Appendix 3 – Yield Curve as at December 2024



Appendix 4 – IFRS 17 Spot Rates Summary of Changes Year over Year

Parameters	Dec 2023 Parameters	Dec 2024 Parameters	Dec 2024 New Method
Last Observable Point	28	27	27
Sovereign Risk Adjustment	0.82%	0.97%	0.97%
Ultimate Risk-Free Rate	5.87%	5.98%	5.01%
Full illiquidity Premium	0.75%	0.60%	1.00%

There are a few noteworthy changes in methods from the rates produced last year and those produced this year:

- Use of the most up-to-date data resulted in the last observable point being at Maturity 27, whereas last year it was at Maturity 28
- The Sovereign Risk Adjustment was removed from the Ultimate Risk-Free Rate to reflect the presence of sovereign risk at all maturities.
- Liquid insurance contracts have a proportion of the illiquidity premium attributed to their discount rate to reflect the difference in liquidity between the BGRS bonds which underly the yield curve.

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Superintendent of Insurance

