THE LAURENCEO SCENARIO PLAN

Bermuda *After* AGI

Three shocks that advanced AI could bring to the island, and what Bermuda can decide before they arrive.



CHAPTER 01
The revenue hole

CHAPTER 02
The uninsured risk

CHAPTER 03
The small-state voice

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Scenario analysis, not a forecast

THE PLAN AT A GLANCE

When a crisis comes, governments reach for the plan that is *already written.*

This is that plan for Bermuda and advanced AI.

Laurenceo's AGI Observatory tracks when AI may be able to do the work of an AI researcher, end to end. Leading forecasts put that within a few years. Nobody knows the date. What can be known today is where Bermuda is exposed if it happens, because the exposure is already in the public accounts.

This paper does not predict when AGI arrives. It takes the scenario seriously and asks three questions. What happens to the money that runs the island. What happens to the industry that built it. And who writes the rules Bermuda will have to live under.

Each chapter sets out the exposure in numbers, then four moves Bermuda can make now. Every figure is sourced on the final page. Scenario figures are illustrations, not forecasts, and are labelled as such.

01

The revenue hole

$634.9m

of this year's government revenue is a tax on paychecks. That is 31 cents of every dollar.

If AI removes office work, the tax base shrinks just as people need support most.

02

The uninsured risk

0

people in a poll at the 2026 Bermuda Captive Conference held AI liability cover. Most used AI every day.

A new class of risk has no settled home. Bermuda has built that home before.

03

The small-state voice

19 days

two frontier AI models were offline worldwide in June 2026 after one decision in Washington.

The rules for AI will be set elsewhere unless small jurisdictions prepare a position.

CHAPTER 01

The revenue *hole*



Bermuda has no income tax. It runs on a tax on payroll, and on the profits of the companies based here.

The 2026/27 Budget projects total revenue of $2.03 billion, the first time it has passed $2 billion. Two lines carry most of it. Corporate income tax, new in 2025, is expected to bring in $753.2 million. Payroll tax is expected to bring in $634.9 million.

Those two lines behave very differently if AI can do office work. One follows profits. The other follows paychecks.

31.3%

of government revenue comes from payroll tax in 2026/27

40.3%

of all employment income in 2025 was paid by international business

15%

of the island's jobs produce that 40% of income: 5,112 of 33,730

01 THE EXPOSURE

A third of the budget is tied to work that AI is learning to do.

EXHIBIT 1 · WHERE THE MONEY COMES FROM, 2026/27 ESTIMATES, $ MILLIONS



753.2	634.9	265.4	218.5	155.2
Corporate income tax follows profits	Payroll tax follows paychecks	Other fees and taxes	Customs duties	Land tax, company fees

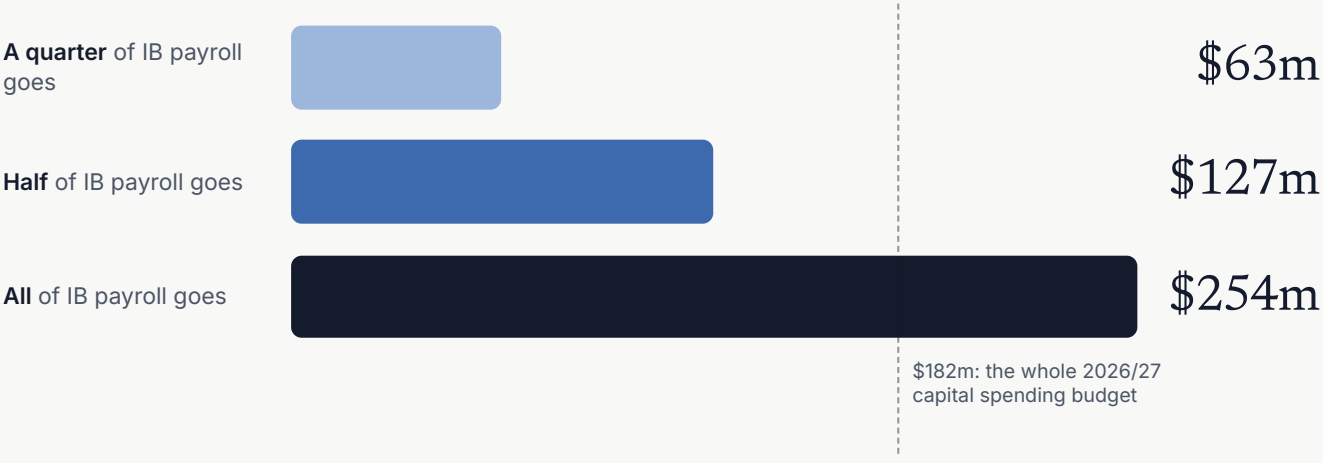
Payroll tax follows the total wage bill. International business pays 40.3% of that bill from only 15% of the jobs, because its roles are the highest paid on the island. They are also almost entirely thought work: underwriting, actuarial modelling, claims, compliance, legal, finance.

The companies have strong reasons to stay. Bermuda's regulator, courts and speed to license are hard to copy. But a company can stay while its payroll shrinks. If AI does more of the work, a reinsurer may need a fraction of today's Bermuda staff.

The exhibit below shows what that would mean. It assumes payroll tax moves in step with employment income. That is cautious: international business pays higher rates than the average employer, so its share of the tax is likely larger than its share of income.

Losing a tenth of national employment income is roughly a quarter of the international business payroll. A fifth is roughly half of it. Two fifths is roughly all of it.

EXHIBIT 2 · PAYROLL TAX LOST EACH YEAR UNDER THREE SCENARIOS, $ MILLIONS · ILLUSTRATION, NOT A FORECAST



Sources: Government of Bermuda 2026/27 Budget Statement; KPMG 2026 Bermuda Budget Snapshot; Quarterly Bulletin of Statistics (June 2026) as reported by The Royal Gazette; National Economic Report of Bermuda 2025. Scenario figures are Laurenceo calculations: 10%, 20% and 40% of $634.9m. IB is international business.

01 THE PLAN

The companies may stay. The paychecks may not. Write the rule for that day now.

There is a counterweight. The same technology that shrinks payroll could raise profits, and corporate income tax would rise with them. Bermuda could end up richer as a jurisdiction and poorer as a labour market.

But the Government has said, rightly, that it will not fund everyday spending from volatile corporate income tax. At least 70% of it is committed to debt and financial assets. So the money may exist, with no agreed way for it to reach residents.

1.1 Stress test the payroll tax base every year

The Ministry of Finance and the Fiscal Responsibility Panel should publish an annual AI exposure test: payroll tax by sector, the share that comes from roles AI can already assist, and the revenue effect of losing a tenth, a fifth and two fifths of it.

1.2 Agree an automation trigger for the fiscal rules

Write in advance what happens if payroll tax falls because of automation while corporate income tax holds or grows. Name the measure, the threshold and how much corporate income tax may then support day-to-day services. A rule agreed in calm is better than one improvised in a crisis.

1.3 Design a Bermuda Fund before it is needed

The financial assets being built from corporate income tax can become a permanent fund with a clear mandate, and a resident dividend that can be switched on by the trigger above. Alaska and Norway took years to design theirs. Starting the design costs little.

1.4 Shift the base, slowly, from jobs toward output

A tax that rises with each Bermudian hired works against Bermudian jobs in a world where the alternative is software. The 2026/27 payroll tax cuts move in the right direction. The Tax Reform Commission's work should now test each option against an AI scenario.

WHAT WOULD CHANGE THIS PICTURE

Wages can fall without jobs disappearing, and jobs can change without wages falling. Adoption in regulated industries is slow, and a human will still have to sign for a long time. Bermuda's economic substance rules also require real people on the island. Any of these would soften the scenarios. None removes the exposure, because the tax base is the same in every case.

CHAPTER 02

The *uninsured* risk



Every business is adopting AI. Almost none of them are insured for what it gets wrong.

In June 2026 a panel at the Bermuda Captive Conference ran an informal poll. Most people in the room used AI at work and at home. None had AI liability cover. Speakers compared the moment to cyber insurance in its early days.

Insurers are moving the other way. In January 2026 the body that writes standard US policy forms introduced a generative AI exclusion for general liability. Risk is being written out faster than cover is being written in.

$72.6bn

net premium written by Bermuda's property and casualty insurers and reinsurers in 2024

$4.8bn

one industry prediction for the standalone AI liability market by 2032

200+

active legal cases involving AI and machine learning cited in Gallagher's 2026 outlook

02 THE OPENING AND THE PLAN

Bermuda became the world's risk capital by building new cover after each shock.

EXHIBIT 3 · A SHOCK, THEN A BERMUDA MARKET



1992

Hurricane Andrew. Property catastrophe cover dries up. New Bermuda reinsurers form within months.

2001

11 September. Capacity is short again. A second wave of Bermuda carriers is capitalised.

2005

Hurricane Katrina. A third wave, and the growth of capital markets vehicles licensed in Bermuda.

Next

AI liability. The same loss can hit thousands of insureds at once, across every line of business.

The hard part is measurement. Underwriters say that without independent evaluation of AI systems they are pricing uncertainty, not risk. Dedicated AI liability premium is still close to nothing. Whoever sets the standard for evidence will shape the market.

Bermuda has what the market needs: a trusted regulator that licenses new structures quickly, deep capital, and a draft AI Guidance Note already consulted on. The consultation closed on 30 October 2026. What Bermuda does next decides whether this market forms here.

2.1 **Make evidence the standard**

The BMA's final guidance should recognise system-generated evidence: AI controls that produce their own proof as they run. That gives underwriters data they can price from. Laurenceo set this out in its consultation response, Evidence by Default.

2.2 **Create an AI incident reporting standard**

A simple, shared format for regulated firms to report AI failures and near misses. Cyber cover only became priceable once loss data existed. Bermuda can hold the first clean data set.

2.3 **Open a clear licensing path for AI liability**

Use the innovation hub, the sandbox and the Innovative Insurer class to give carriers and captives a known, fast route to write affirmative AI cover.

2.4 **Model the accumulation**

Publish a realistic disaster scenario for AI: one widely used model fails or is compromised and losses land across cyber, professional liability and directors' cover at once. Supervisors and reinsurers need a common yardstick.

CHAPTER 03

The small-state *voice*



The most important decisions about AI will be made in a handful of capitals. Bermuda is not one of them.

On 12 June 2026, US export controls took two of the most capable AI models on the market offline around the world. Access came back on 1 July. For 19 days, anyone who relied on those systems, in any country, went without. No small jurisdiction was consulted, and none could have changed the outcome.

This is what being a rule-taker looks like. As control of frontier AI tightens, and it is likely to, the pattern will repeat.

118

countries were party to none of seven major international AI governance initiatives, a 2024 UN report found

2

frontier models switched off worldwide by a single national decision in June 2026

2016

the year the EU recognised Bermuda's insurance rules as equivalent to its own

03 THE PLAN

Bermuda has earned a seat before. It did it by building rules the world could trust.

Bermuda is small, but it is not without leverage. In insurance it holds a place far above its size because large jurisdictions accept its supervision as equal to their own. That standing was built deliberately, over years, and it is the model for AI.

Small jurisdictions also govern AI in ways that do not need a treaty. Research by the UN Development Programme across eleven countries and territories found that the decisions that matter most are often made in procurement offices and vendor contracts, not in policy papers.

3.1 Use procurement as policy

Adopt standard AI terms for every public contract: audit rights, incident notice, data location, a tested exit. The Government is already deploying AI across public services with an outside partner. The contract is where a small state has real power.

3.2 Treat model access as critical infrastructure

Any essential service that depends on a frontier model, in government or in a regulated firm, should have a tested fallback to a second provider or to a manual process. June 2026 showed that access can vanish for weeks with no local say.

3.3 Form a compact of small jurisdictions

Bermuda, Cayman, Jersey, Guernsey, the Isle of Man and others face the same problem with the same limited staff. A shared position, shared model terms and a shared seat at standards bodies would carry more weight than any one of them alone.

3.4 Aim for recognition, as in insurance

Set the goal that Bermuda's supervision of AI in financial services is accepted by the EU, the UK and the US as equal to their own. That is how a small jurisdiction keeps its firms inside the room when rules tighten.



THE WHOLE PLAN

Twelve moves. Most can start this year.

	MOVE	WHO LEADS	WHEN
01 THE REVENUE HOLE			
1.1	Annual AI stress test of the payroll tax base	Ministry of Finance	Now
1.2	Automation trigger in the fiscal rules	Ministry of Finance, Parliament	Within 12 months
1.3	Bermuda Fund and resident dividend, designed in advance	Government	Within 12 months
1.4	Test every tax reform option against an AI scenario	Tax Reform Commission	Now
02 THE UNINSURED RISK			
2.1	System-generated evidence recognised in final AI guidance	Bermuda Monetary Authority	Now
2.2	AI incident reporting standard	BMA with industry	Within 12 months
2.3	Clear licensing path for AI liability cover	BMA	Within 12 months
2.4	Realistic disaster scenario for AI accumulation	BMA, reinsurers	Within 12 months
03 THE SMALL-STATE VOICE			
3.1	Standard AI terms in every public contract	Government	Now
3.2	Tested fallback for services that depend on a frontier model	Government, regulated firms	Now
3.3	Compact of small jurisdictions on AI	Government	Within 12 months
3.4	Recognition of Bermuda's AI supervision by major jurisdictions	BMA, Government	Multi-year

SIGNPOSTS · WHEN TO MOVE FASTER

Jobs. International business payroll falls in two consecutive quarters while company numbers and profits hold.

Losses. The first AI-caused insured loss above $100 million anywhere, or the first in a Bermuda-regulated firm at any size.

Rules. Any large state licenses frontier models, or a second worldwide suspension of access occurs.

Laurenceo tracks these on its public forecast board at laurenceo.com/intelligence/forecasts, with a dated probability for each open question and a record of how each one resolved.

METHOD, LIMITS AND SOURCES

What this is. A scenario plan. It does not forecast when AGI arrives or how quickly work is displaced. It asks what Bermuda would face if advanced AI removed a large share of thought work, and what can be decided in advance.

How the revenue scenarios work. Payroll tax of $634.9m is assumed to move in proportion to national employment income. The three scenarios remove 10%, 20% and 40% of that income, giving $63m, $127m and $254m. International business generated 40.3% of employment income in 2025, so the scenarios equal about a quarter, a half and all of its payroll.

Limits. The scenarios ignore second-round effects in the local economy, which would make losses larger, and any rise in corporate income tax, which would offset them. Payroll tax rates differ by employer and by band, so a precise estimate needs data only the Government holds. The figures show scale, not a prediction.

Corrections. If a figure here is wrong, Laurenceo will correct it and say so at laurenceo.com/corrections.

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PHOTOGRAPHS

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