

## Classification Levels

Level	What it means	Underwriter action	Key question
<b>D0</b>	Assists only. Human acts.	Standard treatment	Does system take any action?
<b>D1</b>	Proposes. Human approves each.	Disclosure required	Who approves each action?
<b>D2</b>	Acts within limits. No per-action approval.	Controls become coverage-relevant	Who owns outcomes?
<b>D3</b>	Ongoing authority. Self-modifies.	Explicit treatment / bespoke	Can they explain decisions?

### THE DETERMINISTIC RULE

Any system that can change its own behaviour without human approval is D3.

## Claims Decision Structure

**If not disclosed or misclassified** → non-disclosure remedies pathway

**If disclosed and controls warranted but absent** → breach of condition/warranty pathway

**If disclosed and controls present** → coverage engaged; pursue subrogation and allocation

### RED FLAGS — CONSIDER DECLINE

- No named owner (committee insufficient)
- Cannot reconstruct decisions
- Auto-retraining without approval
- No kill switch or undefined intervention time
- Vendor contract silent on liability

### AGGREGATION CHECK

Do multiple D2+ systems share vendors, data, or metrics?

**If yes** → Assess correlated exposure. Consider sub-limits, higher retention, or exclusion.

### THE CLAIMS TEST

Who authorised the system to act? Who owned the outcome?

***An insured who cannot complete the disclosure form has revealed the risk.***