

Classification Levels

Level	What it means	Underwriter action	Key question
D0	Assists only. Human acts.	Standard treatment	Does system take any action?
D1	Proposes. Human approves each.	Disclosure required	Who approves each action?
D2	Acts within limits. No per-action approval.	Controls become coverage-relevant	Who owns outcomes?
D3	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.*