

CHATBOTS – EXPOSURES : INSURANCE COVERAGE

Are organisations protected by insurance against chatbot exposures?

Chatbots are now an integral part of customer interaction and response systems in modern businesses.

IBM defines “Chatbot as a computer program that simulates human conversation with an end user. Not all chatbots are equipped with [artificial intelligence](#) (AI), but modern chatbots increasingly use [conversational AI](#) techniques such as [natural language processing](#) (NLP) to understand user questions and automate responses to them”.

As per the report published by imarc, India chatbot market size reached USD 243.3 Million in 2024. Looking forward, IMARC Group expects the market to reach USD 1,465.2 Million by 2033, exhibiting a growth rate (CAGR) of 20.43% during 2025-2033. For statistics hungry readers, this article “India Chatbot Market Size, Share, Trends and Forecast by Type, Product, Application, Organization Size, Vertical, and Region, 2025-2033” is a great read. Link given in the references below.

As of now, India does not have a singular and formal law to regulate AI. But there are several statutes like Information Technology Act, 2000, Bharatiya Nyaya Sanhita, 2023, Digital Personal Data Protection Act, 2023, Consumer Protection Act, 2019 and Sectoral regulations that currently govern AI systems and their deployment. That said, in order to provide a framework that balances AI innovation with accountability, and progress with safety, The Government of India has issued comprehensive India AI Governance Guidelines in the month of November 2025.

It is time organisations using chatbots realised their exposures and explore relevant risk mitigation and risk transfer options.

As regards risk transfer *aka* insurance solutions some of them are listed below:

1. **CYBER INSURANCE:** Potential liability resulting from data or privacy breaches, including regulatory non-compliance, especially in cases where conversation recording by the chatbot lacks adherence to applicable consent protocols (inadequate consent).
2. **CGL INSURANCE:** Liability for personal or advertising injury and bodily injury and property damage (BIPD). BIPD may not be a common regular exposure though. It may be noted that insurers are increasingly adding exclusions for AI generated content. One needs to actively explore coverage options under other policies.
3. **E&O INSURANCE:** Potential liability for furnishing inaccurate information or advice to customers, which can include faulty guidance, incorrect price indication, or misleading descriptions of offerings. A case in point is the

decision in *Moffatt v. Air Canada*, 2024 BCCRT 149, where the Civil Resolution Tribunal held that Air Canada was liable for the misleading information provided by the chatbot.

4. **IPR INSURANCE:** Potential liability for breach of Intellectual Property Rights (IPR), including copyright and trademark infringement, arising from AI-generated outputs including text, images, and code etc.

Then the cover for the “where the buck stops” – D&O insurance responding to allegations of the board failure to oversee chatbot and AI risks appropriately.

It is necessary to ensure that chatbot inputs and output exposures are adequately covered by insurance policies. And BE WARY of ALL ABSOLUTE EXCLUSIONS as they may render coverage illusory.

Ideally, coverage under Cyber, CGL, E&O, IPR (where necessary) and D&O policies should be suitably structured so that, taken together, they meaningfully address the full spectrum of chatbot related exposures without leaving gaps between policies.

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Disclaimer: The information contained and ideas expressed in this article represent only a general overview of subjects covered. It is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Insurance buyers should consult their insurance and legal advisors regarding specific coverage and/or legal issues.

References/ Suggested further reading:

1. What is a chatbot?

<https://www.ibm.com/think/topics/chatbots>

2. Lying Chatbot Makes Airline Liable: Negligent Misrepresentation in *Moffatt v Air Canada*

<https://commons.allard.ubc.ca/cgi/viewcontent.cgi?article=1376&context=ubclawreview>

3. India AI Governance Guidelines

<https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/nov/doc2025115685601.pdf>

4. India Chatbot Market Size, Share, Trends and Forecast by Type, Product, Application, Organization Size, Vertical, and Region, 2025-2033

<https://www.imarcgroup.com/india-chatbot-market>