Innovation Growth Partners Specialty®

CONTACT US

Dave Perkins, RPLU
(508) 848-4263
dave.perkins@igpspecialty.com

Wrongful Collection Cyber Coverage

Wrongful collection cyber insurance refers to cyber insurance policies that provide coverage for financial losses resulting from non-breach privacy events such as the improper collection of personal data without proper notice or consent, as opposed to traditional data breach (unauthorized access) claims. This specialized coverage addresses the growing risk of litigation and regulatory actions stemming from failures in data handling practices.

Businesses with strong data privacy practices can find affirmative coverage for wrongful collection in their cyber policies, while those with poor practices may face a higher risk of litigation and policy exclusions.

What is Wrongful Collection?

Wrongful data collection occurs when a business collects, uses, or shares personal information in a way that violates privacy laws or regulations. This can include:

LACK OF NOTICE: Collecting personal data without informing individuals that it is being gathered.

LACK OF CONSENT: Gathering information, such as biometric data or genetic data, without obtaining explicit consent.

IMPROPER USE OR SHARING: Using or sharing personal data in a way that was not disclosed or consented to by the individual.

NON-TRANSPARENCY: Failing to provide clear information about data collection and processing practices.

How Does Cyber Insurance Address This Risk?

AFFIRMATIVE COVERAGE: Some policies offer affirmative coverage for non-breach privacy risks, directly including wrongful collection within the scope of protection.

REDUCED EXPOSURE: Businesses that demonstrate strong privacy practices can gain more comprehensive coverage.

POLICY EXCLUSIONS: Other cyber policies may include specific exclusions for willful or fraudulent acts related to data collection, so reviewing policy terms is crucial.

SPECIALIZED POLICIES: Businesses with significant exposure to non-breach privacy risks should work with brokers to ensure their policy provides adequate coverage for these events.

Why Is It Important?

INCREASED LITIGATION: The rise of state and international privacy regulations, such as Illinois' Biometric Information Privacy Act (BIPA), has led to an increase in lawsuits related to wrongful data collection.

FINANCIAL LOSSES: Claims from wrongful collection can result in substantial fines, penalties, and legal defense costs, which can financially disrupt a business.

REPUTATIONAL DAMAGE: Poor data handling practices can harm a company's reputation and erode customer trust.

©2026 Innovation Growth Partners Specialty, LLC | igpspecialty.com