

## Case Study: Cyber Insurance for Microbusinesses—Bridging the Gap for the Most Vulnerable Segment

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### Introduction: The Hidden Risk in America's Backbone

Small businesses with under 10 employees represent over 76% of all U.S. employer firms. Despite their ubiquity, they are one of the most neglected segments when it comes to cyber liability coverage.

While enterprise organizations adopt sophisticated cybersecurity frameworks, microbusinesses often operate without even the basics. The misconception that “we’re too small to be a target” has left millions of small firms dangerously exposed—and cybercriminals are noticing.

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### Market Snapshot: The Microbusiness Cybersecurity Gap

- **32.5 million** small businesses exist in the U.S.
- **24.8 million** have fewer than 10 employees
- Only **16%** of small businesses currently have a standalone cyber insurance policy
- Over **60%** of small business owners believe they are not at risk

And yet:

- **54%** of SMBs experienced a cyberattack in the last 12 months
  - **43%** of all data breaches in 2023 involved small businesses
  - Average recovery cost for a small business breach: **\$149,000–\$200,000**
  - **1 in 3** small businesses close within six months of a cyber incident
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### The Agent Dilemma

Many insurance agents and brokers intentionally avoid this market segment. Why?

“Independent agents typically ignore these customers as the revenue opportunities are small, and the neediness factor is high.”

- Premiums are too low to justify the effort
- Clients require more education and support
- Many agents lack the cyber knowledge to advise them properly

Yet this is exactly why these businesses need accessible, bundled cyber programs: coverage, resources, and education in one place.

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### Case Examples: Real-Life Breaches in Small Shops

#### 1. Solo Law Practice (OH)

A phishing scam led to unauthorized access to client records. Total exposure: 1,100 personal records. Fines and remediation: \$28,000.

#### 2. Landscaping Company (FL)

Customer information stolen through a compromised accounting software login. Hackers demanded \$5,000 in Bitcoin or would leak client data.

#### 3. E-commerce Boutique (CA)

Website hacked with malware redirecting shoppers to malicious sites. Downtime lasted 5 days; revenue losses: \$17,000.

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## **Pricing vs. Protection: Building for Budget Sensitivity**

Microbusinesses are notoriously budget-conscious. However, many are willing to buy if the value is clear and the offering is simple.

### **Program Suggestions:**

- Tiered plans (Essential, Plus, Complete)
  - Include free security training and breach support
  - Dark web scanning included at no extra cost
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## **The Education & Enablement Model**

Knowledge is power—and peace of mind. Business owners aren't cybersecurity experts, and most can't afford an IT team. But they can take action when tools are easy to access and understand.

### **Bundled platform should include:**

- Quick-start cyber risk assessment
- Password hygiene & MFA guides
- Breach hotline

"Small companies need the cybersecurity resources in addition to essential cyber insurance... They might need to be educated more than the larger business."

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## **The Business Case: Why Now**

With the rising rate of ransomware and phishing attacks, regulators are increasing pressure on businesses of all sizes to secure their data. It's not a matter of if, but when.

Cyber insurance isn't just a safety net—it's a business enabler. It signals maturity, protects against massive loss, and builds client confidence.

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## **The RPG Advantage: Making Cyber Insurance Accessible**

Risk Purchasing Groups (RPGs) offer a strategic solution for microbusinesses seeking affordable and comprehensive cyber insurance:

- **Collective Bargaining Power:** By pooling together, microbusinesses can negotiate better rates and coverage terms than they could individually.
  - **Tailored Coverage:** RPGs can work with their members to create policies that meet specific needs, providing more tailored coverage at an affordable price.
  - **Stability in the Insurance Market:** By pooling resources, RPG members can help stabilize the market and ensure that premiums remain consistent.
  - **Access to Specialized Expertise:** RPGs provide access to specialized expertise in the rapidly evolving field of cyber liability, helping businesses stay up-to-date on the latest trends and best practices.
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## **Conclusion: Bridging the Cyber Gap**

Small businesses under 10 employees make up the majority of U.S. companies, yet they're drastically underserved when it comes to cyber protection. They're at higher risk, less prepared, and more dependent on trusted advisors.

Now is the time to bridge the gap with affordable, educational, and bundled cyber liability programs tailored specifically for these businesses.

