

How evolving working trends are impacting computer-related risks

Research report



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Foreword

The Covid-19 pandemic was the catalyst for significantly changing the future of where we work, heralding a cultural shift for employees to divide their time between on-site and remote home-based settings.

Hybrid working is now the new norm for millions of employees and has been met with widespread enthusiasm due to it providing numerous financial and wellbeing benefits. Employees have the flexibility to choose their work environment based on their personal and professional needs, reducing the stress and financial worries associated with commuting. Meanwhile, businesses have also been able to downsize traditional office premises and save considerable costs on rent by embracing a more agile workforce.

Is hybrid working here to stay?

The seismic shift towards hybrid working has revolutionised the way we think about offices and remote working. Research by Slack revealed that an overwhelming **98%** of business leaders were rethinking their physical office usage and investing in hybrid work technology based on fewer employees coming into the office during the pandemic.¹ In contrast, amid continued economic instability, 2023 has seen a minority of companies attempt to backtrack on flexible working patterns and mandating more office in-person days.²

What is clear though is that the era of the five days-a-week, nine-to-five office schedule is over. There is no longer a 'one-size-fits-all' solution which will dictate a 'standard' way of working due to the diverse preferences of employers implementing hybrid working policies.

Why we commissioned this research

HSB commissioned a survey of employed or self-employed workers to understand the opportunities and challenges arising from modern day working practices in relation to computer insurance.

Our research has formed the basis for this research report, 'How evolving working trends are impacting computer-related risks'. Within it, we examine the growth of hybrid work in the UK, its risks and benefits for employees and organisations, and its implications for UK businesses and the insurance sector. We explore the diverse preferences of employers implementing hybrid work policies, the impact on commuting patterns and technology usage, and the potential business continuity risks related to the UK's increasing reliance on imported computing hardware.

Our research findings also suggest some misconceptions about computer insurance cover which could leave some businesses exposed, and underline the crucial role that brokers can play in supporting their clients in the new hybrid working landscape.

Hybrid working: the impact on computer insurance

Hybrid working has sparked a fundamental change in how we work, combining the best benefits of working from home and going into an office. But these emerging trends must be balanced with understanding the potential risks for businesses as employees increasingly work from home, particularly regarding insurance for computer equipment.

Mathew Prentice

Cyber Product Leader, HSB

Evolving working trends

Key findings:

64% of UK workers are presently engaged in **hybrid working**

24% remain in traditional **office-only** settings

72% rate the **importance of hybrid** or remote work at seven or higher (out of 10) when considering **future job prospects**

Pre and post-pandemic working trends

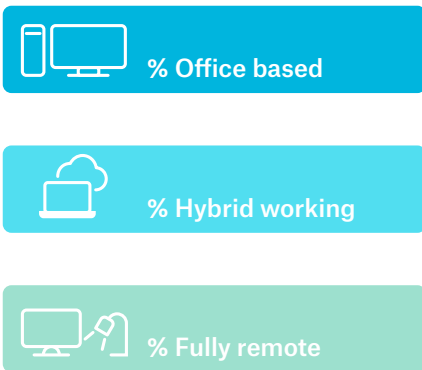
Prior to the Covid-19 pandemic, the appeal of remote and hybrid working was gradually on the rise. In 2019, **12%** of the UK workforce worked from home at least one day per week, with the most popular remote working areas being London, the South East, and South West England.³ The introduction of national lockdown measures and other social distancing restrictions from late March 2020 saw remote work adoption peak in June 2020, which led to **38%** of the UK's 33 million workforce at this time reverting to being predominantly home-based (up from **5%** in 2019).⁴

Having become accustomed to the greater flexibility of working from home, many employees appear reluctant to return to their previous office routines following the lifting of all Covid-19 restrictions in February 2022 - either because of safety or financial concerns, or an unwillingness to sacrifice the increased flexibility and convenience they've become accustomed to enjoying in remote settings.



A new era of hybrid and remote working

According to HSB's survey, **64%** of respondents were engaged in hybrid working, while **12%** work entirely remotely. In comparison, just under a quarter (**24%**) of respondents remain in traditional office-only settings – a sharp fall from the **59%** who stated they previously operated from workplace premises.



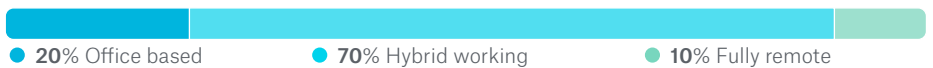
Before Covid-19 Lockdown measures



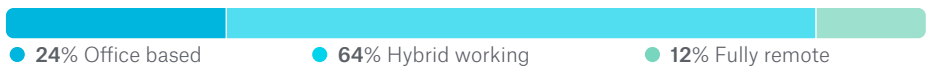
During Covid-19 Lockdown measures



After Covid-19 lockdown measures were lifted

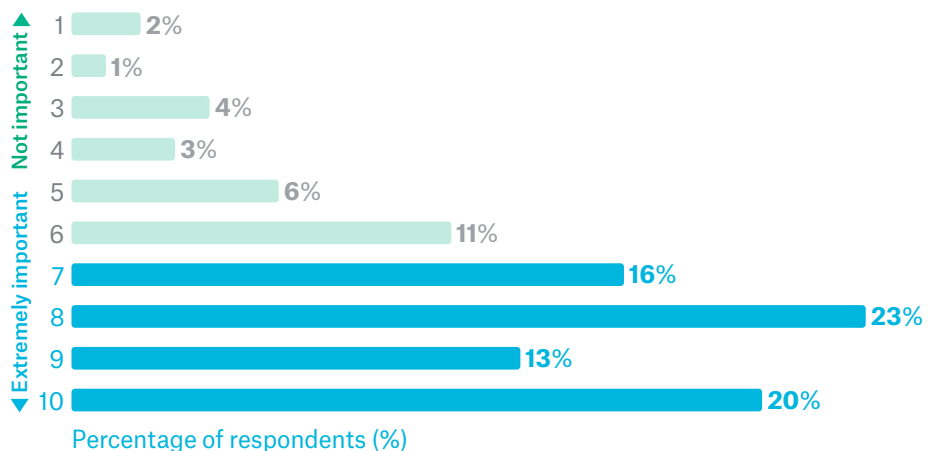


Current



Based on our research, the insatiable desire to shun designated offices and premises will continue to gather momentum. Just **8%** of respondents expressed a willingness to work entirely in the office in their preferred future work environment. But perhaps more tellingly, almost three-quarters (**72%**) rated the importance of hybrid or remote work at 7 or higher when considering future prospects.

We asked:
how important
is hybrid or
remote working
on a scale of
1 to 10



Even in an environment of what has felt like constant change during the last three years, the workplace may now be reaching its true tipping point. HSB's findings highlight that of the **24%** of businesses working in office-only settings, over half (**55%**) plan to adopt hybrid working models. But while employees are benefitting from greater flexibility, working from home can pose a variety of challenges for businesses when it comes to managing computer equipment risks.

55% of businesses currently not operating a hybrid working model plan to adopt one

I'm not aware of any plans to implement hybrid working



Yes, the business is currently implementing it



Yes, the business is planning to implement it



Check whether the insurance covers computer equipment and other hardware away from the office location

Tips:

It may seem obvious, but in the first instance businesses should check that they are covered by their insurance policy if their employees work from home. More specifically, check whether the insurance covers computer equipment such as laptops, mobile devices and other hardware away from the office location. A specialist computer policy can provide coverage for locations away from the main premises, including worldwide coverage for portable devices.

Always keep insurance brokers informed of any changes to business circumstances to ensure existing insurance policies remain valid. Post-pandemic, many businesses have seen an upturn in growth, or even rapid expansion, which may have coincided with them investing in people and technology to enable more of their employees to work remotely.

Risky business – accidental damage and theft

Key findings:

55% have dedicated **home offices** or studies

20% work in **shared living spaces**

46% experienced **lost or damaged** computer equipment, with **laptops and mobiles** accounting for almost two-thirds of these incidents

54% of loss or damage **incidents** occurred **whilst commuting**

The hybrid working landscape – what does this mean for computer equipment and insurance requirements?

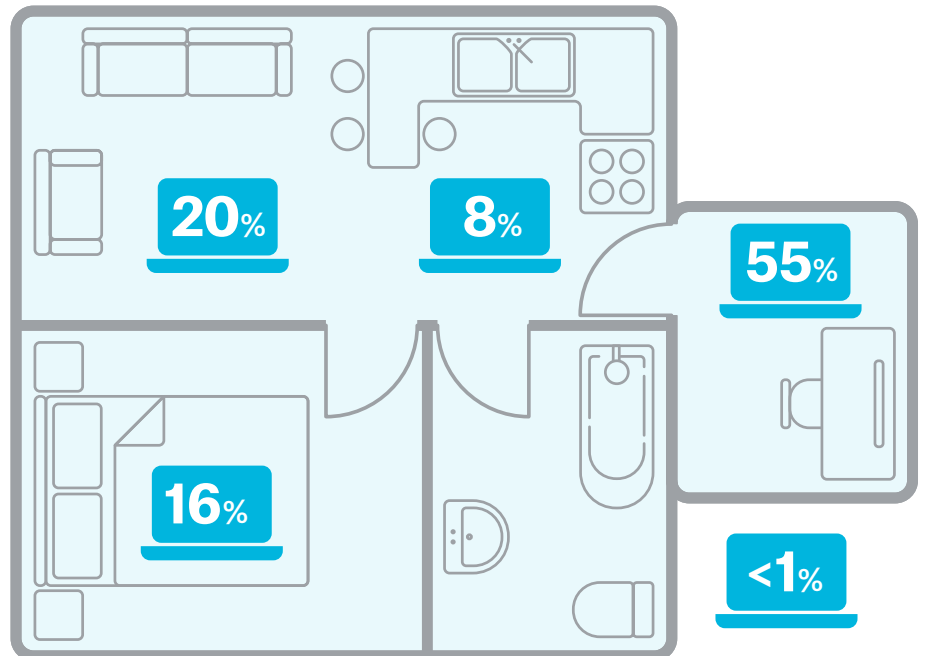


Undisputedly, hybrid working is here to stay. While the initial focus has been on transitioning IT equipment and employees, many businesses may not have considered the potential risks and impact on computer equipment over the longer term.

Our research findings suggest that UK businesses need to consider how they manage their computer insurance risks to minimise the challenges and costs associated with damaged and lost equipment.

Adapting to hybrid working

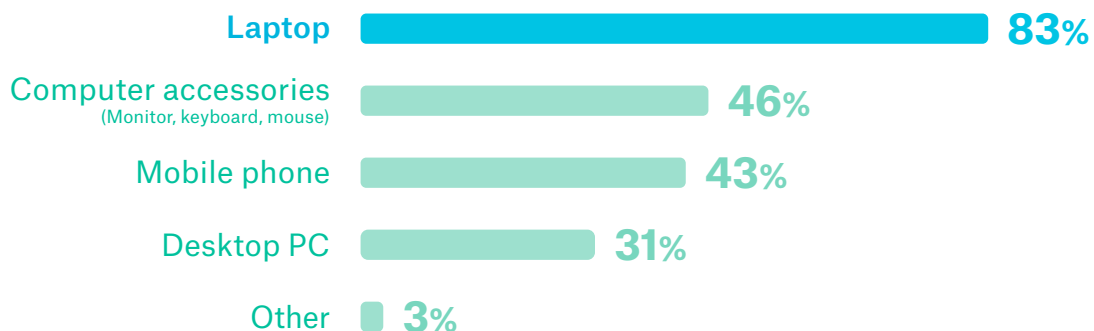
We asked respondents: where in your homes are you working?



Most hybrid workers (**55%**) now have dedicated home offices or studies. However, 1 in 5 (**20%**) work in shared living spaces such as living rooms or dining rooms. Meanwhile, bedrooms serve as the workspace for **16%**, whilst **8%** work in kitchen/dining areas. Despite the pandemic creating a surge in popularity for 'garden rooms' as people sought to create extra living space, less than **1%** of the respondents in HSB's survey use outdoor spaces such as garden offices or sheds for work purposes.

An increasing reliance on laptops and mobile devices

We asked respondents what equipment they'd been provided with by their employers – a large majority (**83%**) of workers have been provided with a laptop.

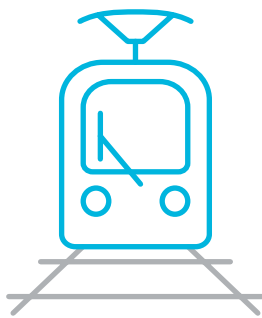




Laptop devices have arguably become the most important piece of equipment in our professional lives. Not only do they boost productivity by enabling employees to work from anywhere, they also allow remote workers to access collaborative applications online via the cloud. However, as more businesses transition to hybrid working, home-based accidental damage incidents to computer equipment have risen.

HSB's survey revealed that **46%** experienced lost (**14%**) or damaged (**32%**) computer equipment, with laptops and mobiles accounting for **60%** of these incidents; with typical causes including theft, physical damage from trips or falls, drinks spillages, and wear and tear.

Whilst a large proportion (**63%**) sought professional help for repairs, **17%** opted to repair it themselves or asked a friend for help. Surprisingly, **10%** of respondents didn't report the loss or damage to their employer, which may suggest they feared being reprimanded or believed they could fix the issue themselves.



Accidents can happen anywhere, but are commuters more at risk?

Similarly, as more employees transport computer equipment between their home and work premises, the risk of theft or them misplacing equipment during their journey also appears to be increasing.

A more significant proportion (**54%**) of loss or damage incidents occurred during commuting, with laptops and mobile phones cited as the most vulnerable items, with **42%** admitting computer equipment was stolen from their bags.

54%
of loss or
damage incidents
occurred during
commuting

Assess evolving computer risks

With many businesses consolidating and downsizing their physical office space into multi-tenanted offices and co-working spaces, there are new considerations for businesses in keeping their IT equipment safe and secure. Whereas previously a property insurance policy may have provided the cover needed, it may be that changes made to working patterns or locations require a different level of (or specific) computer policy.

The policy should provide clear guidelines about when and where company laptops and mobile devices are to be used

Tips:

Businesses should ensure that they have an up-to-date hybrid working policy which contains a specific section on computer equipment. The policy should provide clear guidelines about when and where company laptops and mobile devices are to be used, and should also set out what procedures employees should follow in the event of their equipment becoming damaged or lost.

It's important to consider the impact of increased risk of damage, theft and data security breaches arising from employees transporting computer equipment to and from work premises. For example, data losses of any kind are generally excluded under a property policy. However, specialist computer policies can provide cover for virus, hacking and denial of service attacks, including many other risks which may result in data loss or software corruption.

Technology is advancing rapidly. Businesses should consider if their policy's coverage is wide enough to enable them to replace damaged or lost equipment with an equivalent or a higher performing model to maintain business continuity. Carefully review insurance policies to understand their definitions; in particular, the difference between what is classed as hardware and portable computer equipment. If in doubt, contact an insurance broker who will be able to advise whether the existing policy needs updating and whether it includes cover for all risks.

Laptops and smartphones are more vulnerable to accidental damage and theft, so it is recommended that businesses review whether their insurance excess is sufficient. Some specialist computer policies will include no excess to pay in the event of a claim.

The real cost of computer equipment to a business's bottom line

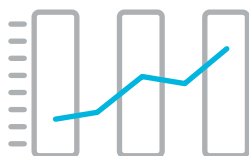
Key findings:

50% increase in the **average claim value for a single laptop** between 2018 and 2022

55% of those who damaged their computer equipment had their **issues resolved** within **one week**

19% had to wait **up to four weeks** for their issue to be resolved

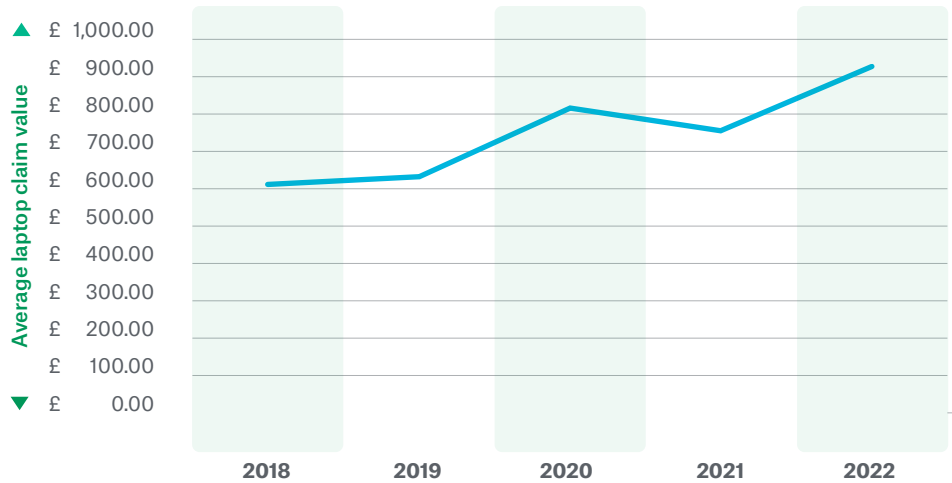
Rocketing laptop values could lead to underinsurance



The UK's cost of living crisis has been caused by a number of domestic and global factors, which have also led to dramatically-increased costs for IT hardware, software and services. As a result, computer equipment has become a more valuable asset.

Analysis of HSB's claims and loss data has shown that, where a single laptop was accidentally damaged, the average claim value of a laptop has increased by **50%** from 2018 to 2022. IT equipment is likely to have a significantly higher value and replacement cost today compared to a few months, or even weeks, ago. As a consequence, this could leave some businesses underinsured if the sum on their policy won't cover the cost of repairing or replacing the cost of an asset.

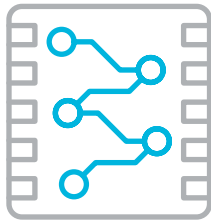
The average claim value of a laptop has increased by **50%** from 2018 to 2022



Delays for replacement equipment could hinder business continuity

A global shortage of semiconductor chips – a critical component in most computer equipment products – has led to shortages of computer hardware. The Covid-19 pandemic, and the transition to hybrid working practices, was the primary factor for the computer chip shortage. The knock-on effect of more people working from home meant that sheer demand for technology skyrocketed.

The UK increasingly relies on importing computer and laptops. According to the Observatory of Economic Complexity, in 2021 the UK was the sixth largest importer of computers in the world.⁵ Furthermore, between January 2022 and 2023, UK imports of computers increased by £281m (**35%**) from £791m to £1.07bn, with the majority of imported equipment coming from the Netherlands, Germany and Hong Kong.



Worldwide computer chip shortages have impacted the availability of computer equipment and parts; causing delays for repairs and replacements. Furthermore, the ongoing shortage of computer chips means that the cost of operations, upgrades and other changes to IT infrastructure could also rise.

The **46%** of respondents to HSB's survey who admitted that they had either lost or damaged their computer equipment experienced mixed fortunes in obtaining replacements. Over half (**55%**) said their issues were resolved within a week, while it took up to two weeks for **26%**. But **19%** had to wait between two and four weeks for their issue to be resolved. This statistic, paired with rising cost of computer equipment, is indicative of potential business continuity challenges.

Consider switching from annual valuations to conducting mid-term valuations of computer equipment for insurance purposes

Tips:

With greater value being placed on existing equipment, businesses should ensure they have adequate insurance cover for repairs and replacements to their computer equipment.

As part of an embedded risk culture, businesses should review where all of their assets are and ensure valuations are up-to-date. This should include checking that they have got the right sum insured for their computer equipment as it may have increased in value. Some insurance policies allow for an increase in value or for additional equipment to be added within the policy period. If businesses have concerns that they might be underinsured, an insurance broker will be able to help review the sums for which they're insured.

In order to reduce risk, businesses need to be fully aware of what their exposure is. This should include understanding what the sum insured should be and the total value of equipment. Consider switching from annual valuations to conducting mid-term valuations of equipment for insurance purposes. At a time of rapidly-rising prices, organising a mid-term valuation will provide a more accurate estimate of the cost to replace or repair an asset, and reduces the risk of businesses being underinsured.

Confusion reigns as almost half may not be insured for their computer equipment

Key findings:

54% said their computer equipment is covered by their business insurance policy when working from home, but **46% can't confirm it does**

38% said their home insurance policy covers computer equipment, but **62% can't confirm it does**



Are businesses scaling back insurance?

For businesses hampered by crippling expenses and tighter margins, insurance premiums may seem like an added cost they could do without. There is evidence to suggest that the cost of living crisis has led to some businesses scaling back their insurance cover, or in some instances even cutting it completely.

Statistics published in BIBA's 2023 Manifesto, 'Managing Risk - Delivering Stability', state that **51%** of businesses have stopped buying at least one insurance cover.⁶ Before contemplating a similarly risk averse approach, businesses should carefully consider their exposures and the implications of the worst case scenario due to being uninsured.

38%

Said their computer equipment is covered by their **home insurance** policy when working from home

54%

Said their computer equipment is covered by their **business insurance** policy when working from home

Almost half of the survey's respondents could be left exposed if they are not adequately covered

Covered or not? Survey reveals uncertainty around computer equipment used at home

At the outset of the pandemic in March 2020, some business owners decided to reduce their insurance due to their employees no longer being on work premises. A study by Premium Credit found that **51%** of UK SMEs had stopped paying for a number of business insurance covers, including employers' liability, business property cover and cyber risk.⁷

Given these statistics, many businesses may not have updated their insurance cover following the pandemic and, as a result, could be underinsured to some degree for computer equipment.

HSB's own research highlights a significant need for better communication around insurance between businesses and employees to ensure appropriate coverage for their computer equipment at home.

Despite **54%** reporting that their business insurance policy covers computer equipment used at home, **46%** couldn't confirm that it does (**13%** of respondents specified it doesn't, while **33%** were unsure).

These figures indicate that almost half of the survey's respondents could be left exposed if they are not adequately covered. Meanwhile, **38%** of respondents indicated that their home insurance policy covers computer equipment, **30%** said it doesn't, and **32%** were unsure.

Computer insurance - common misconceptions addressed

Your policy today no longer guarantees you are covered for tomorrow

Many businesses chose to downsize their office premises as hybrid working became the new normal. However, those who have modified their premises and reduced their coverage during the pandemic will need to review their policies again. This is especially relevant for businesses whose commercial activities have seen them return to growth and make new investments in equipment and technology.

Combined policies do not always provide specialist computer cover

Whilst there is often the option to insure computer equipment under a commercial combined property policy, these may not fully cover all computer risks. Examples of potential gaps could include cover being restricted to business premises, limited cover for computer hardware and equipment breakdowns, and data recovery costs not being covered under a property policy. In contrast, a specialist computer policy could fill significant gaps for portable equipment, data and software, and offer the flexibility to allow businesses to choose the level of cover they need.

The bare minimum cover doesn't provide adequate protection in volatile trading environments

The UK's inflation rate fell to **8.7%** in April 2023, from **10.1%** - the first time it has dipped below **10%** since August 2022.⁸ A slower inflation rate does not mean prices are coming down, but rather that they are not going up so quickly. By not regularly reviewing the value of their equipment and the cost to replace it, businesses cannot make accurate judgements about the amount they need to insure and the level of cover required. Even in today's economic uncertainty, the bare minimum cover and out-of-date valuations can leave a protection gap and the potential to cause major operational disruption for organisations who are left without business-critical computer equipment.

Consider the implications of employees ferrying laptops, smartphones and other specialist computer equipment between home and office

Tips:

Businesses should seek the advice of insurance brokers who have the experience and knowledge to closely understand their organisation. They will be able to better advise on the type of insurance cover required, identify potential exposure risks, and assess whether specialist computer cover might be more appropriate for a business's specific needs.

Businesses would benefit from having a fresh pair of eyes on their operations to determine how their insurance cover needs updating as their needs change. Insurance policies which may not have seemed relevant before the pandemic could now be more relevant than ever in the context of hybrid working. Consider the implications of employees ferrying laptops, smartphones and other specialist computer equipment between home and office, and understand how a hybrid working model will impact your business insurance requirements.

Conclusion

About HSB

Leading specialist provider of engineering and technology insurance and inspection services in the UK and Ireland

UK-based arm of HSB Group, the equipment breakdown insurance and inspection market leader since 1866

Part of Munich Re, a world leader in risk solutions, consistent risk management and financial stability

The pandemic forced many businesses to reinvent their operating models, but the shift towards new working trends poses unique challenges in relation to computer insurance. Whilst the initial focus has been on transitioning equipment and employees, some businesses may not have considered their insurance policies and the potential risk exposures of remote working over the longer term.

Although many businesses have willingly adapted to modern working trends, some have been slower to understand the insurance implications of new working practices to protect against accidental damage, loss and business continuity disruption. Those transitioning to remote working should review their existing policies to identify potential gaps and changing exposures in coverage that should be addressed. For example, property policies normally restrict cover to the business premises. This means that laptops, smartphones and other portable equipment which are used away from on-site premises may not be covered, and a specific computer policy may be required.

As employees increasingly divide their time between working from home and designated offices, the varying demands of the hybrid working environment is placing more pressure on businesses to counterbalance emerging risks. Laptops and portal equipment devices are more essential than ever, but as more employees move to hybrid working, accidental loss incidents and the risk of them misplacing computer equipment during commuting between their home and office could also rise.

By reviewing existing policies, enhancing coverage and seeking specialist advice, now is the time for businesses to take a fresh look at their insurance cover in the new working environment. Here, the role of insurance brokers to support their customers by making sure they have appropriate and adequate cover in place for their computer equipment cannot be understated.

About HSB's survey

HSB's survey was conducted during April 2023 with a sample of 346 respondents as a representative sample of UK working adults. Purposive sampling was used. Please note that we cannot guarantee that the views of the survey sample are the same as the wider population, however, they are a representative sample.

Footnotes:

- 1 It's official: Even bosses think the era of the physical office is over | TechRadar
- 2 The companies backtracking on flexible work | BBC Worklife
- 3 Characteristics of homeworkers, Great Britain | Office for National Statistics
- 4 The impact of remote and hybrid working on workers and organisations | UK Parliament Post
- 5 Computers in United Kingdom | The Observatory of Economic Complexity (OEC)
- 6 BIBA Manifesto 2023 | Publitas.com
- 7 SMEs cut back on insurance spend amid Covid-19 financial struggles | Insurance Age
- 8 UK inflation falls to 8.7% in April but food prices still rising | TheTimes.co.uk

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HSBEI-2389-0623

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