The Next Frontier in Captive Insurance: Turning Reputational Risk into a Strategic Asset

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Securing Governance Is the Pinnacle of a Captive Insurer's Value

Well-run captive insurance companies offer their parents a wealth of well-known benefits. Some are financial, including net lower costs, customized coverage, access to reinsurance markets, and tax-related savings. Others are strategic, including improved risk management discipline and better control of claims. But the pinnacle of benefits a captive can offer its parent is covering a risk too challenging for conventional markets that creates strategic value by securing the keystone of trust in a firm and its leadership: corporate governance.

D&O Reputational Risk Emerges as a Threat to Governance Two Ways

First, Slowly, Reputational Risk Appeared as a Peripheral Issue

Financial stakeholders value the well-accepted governance practice that companies indemnify their leadership for securities and fiduciary liability risk. Firms do so directly, or indirectly by purchasing dedicated insurance products such as Side A directors and officers (D&O) liability insurance, because relieving leadership of undue external financial pressures helps attract quality leaders and assures the integrity of corporate governance.

Reputational risk has historically been viewed differently. Some risk professionals considered it a shadow risk that emerged only when some other issue, already covered by a risk management schema and insurance, went awry. They preferred to let the enterprise absorb the cost of loss and leave reputational risk management to the communications professionals.

Others, including those who crowned reputational risk as "the risk of risks" in 2005, have long recognized that its centrality to enterprise value was a matter of finance and risk management. But it was hard to quantify, leaving many to conclude even a decade later that it was uninsurable.[1] Defiantly, a minority took pains to secure two forms of coverage.

Among those few, some firms focused on the facet of reputational risk reflected in the loss of sales or interrupted business. Insurers responded with reputational-related loss of sales coverage, but limits have been generally low, pricing has been off-putting, and uptake has been limited.

Strategically focused firms concerned that reputational damage would impair intangible enterprise value, turned to their captives for coverage. In a survey in the early 2010s, about 20 firms reportedly covered enterprise reputational risk in their captives. One of the most publicized examples of coverage was at Astra Zeneca, where reputational risk was bundled with recall risk and supply chain risk.[2]

Another enterprise level solution that emerged at this time was parametric reputational reinsurance for captives. This indexed solution, using an innovative indicator of reputational value, provided significant

[1] https://riskandinsurance.com/top-five-uninsurable-risks/
[2] "AstraZeneca adopts business resilience insurance policy." *Captive International*.

underwriting, pricing, and claims management benefits. Paradoxically, the reinsurance's small limits raised concerns about adverse signaling.

Then, Suddenly, Reputational Risk Became a Governance Issue

Financial stakeholders recognize that social, cultural, and political changes since the end of the COVID-19 pandemic have exposed a previously unappreciated facet of reputational risk: threat to the integrity of corporate governance. Exemplary recent securities class action, derivative litigation, and activist campaigns against Disney, Southwest Airlines, Target, Meta, and Wells Fargo all seemed to go out of their way to humiliate board members.[3] Strategic, retributional, or simply gratuitous character assassination is surging, and it is threatening directors' financial well-being.

Figuratively gunning for directors is a feature of "our awful era of intimidation and political violence."[4] Purported motivations include equity underperformance, culpability for alleged poor oversight or succession mishandling, political lawfare, or hashtag issues.

In 2021, a trial lawyer offered insight into the mindset of a board under siege.[5]

> I think they at least would prefer not to be unceremoniously ousted [...] and have to read about it every day in the *Wall Street Journal* and watch it every day on CNBC. This is like, you know, if you don't play your cards right here, you're going to end up the losing character in like a Jim Stewart book on every—in every airport bookstore in the world.
>
> Thomas Curry, lawyer for the Orlando Police Pension Fund

Cutting to the chase, "scalp-seeking" pressure campaigns featuring public personal disparagements and humiliation amplified by social media are once again disrupting governance.

Reputational Coercion and Impact on Governance

Observed Reputational Risk Costs to Governance

The damage caused by the emergence of reputational risk as a threat to governance is already visible. One sign is that directors with diverse[6] backgrounds are not being placed: Appointments of first-time directors in 2025 who self-identify as underrepresented minorities declined by 38 percent from 2024. Diverse directors including women in the new S&P 500 class declined by 22 percent from 2024.[7] They reportedly are declining opportunities at risk for drawing the attention of activists.[8]

Another sign is the accelerated settlement rate. In Q2 of 2025, the average settlement time with activists was 16.5 days.[9] In Q1, the average was a bit longer at 19 days. This is almost a 5 standard

3 Kossovsky, N. "New Humiliation Strategy Puts Directors at Risk." *Directors&Boards,* 2025.

4 French, D. "This Is No Way to Run a Country." *New York Times,* 2025.

5 Indap, S. "Twitter's most besieged board member." *Financial Times,* 2022.

6 Diverse, meaning Nasdaq's former definition of diversity: self-identify as female and/or underrepresented minority and/or LGBTQ+.

7 2025 US Spencer Stuart Board Index. Class of 2025 are those seated May 1, 2024, to April 30, 2025.

8 "On Demand: Peace or Protest? Navigating the Evolving Activist Investor Landscape." *Agenda,* 2025.

9 "Diligent Report Shows Activist Investors Secure Record Board Seats in H1 2025 Amid Shifting Market Landscape." *Diligent,* 2025.

deviation reduction from the 70.5 day average between 2015 and 2022[10] and a 90 percent faster rate than the 166 day average of 2008–2015.[11]

Coercion by Threats of Personal Financial Ruin

The economic harm directors face from disparagement and impugned reputations is not a liability to a third party that would be covered by insurance for D&O liability, but rather, is a personal financial loss—first-party loss in insurance parlance, such as the loss of board seats. Impugned directors are less competitive in the market for directorships.[12,13] Public humiliation can impair the flow of lucrative consulting opportunities. It's been estimated that a director humiliated publicly experiences career costs that are more than 170 percent higher than career costs for directors who avoid negative publicity.[14]

Communications professionals candidly advise boards that positive financial performance is the only thing standing between corporate directors and a public political pressure campaign, nasty proxy fight, stock-price drop suit, or fiduciary action. Corporate directors should anticipate that once the performance of their company stock price declines double digits, activist investors will take notice.[15] They should also recognize that a stock price decline precipitated by an adverse event will invite the attention of litigators. Last, significant regulatory changes and political pressure are directly impacting the shareholder activism arena and its key players.[16]

Case Study of Public Humiliation

Consider the prospects of resigning director Gilbert Davila when Investor Sardar Biglari launched his scathing 2025 attack on the board of Cracker Barrel and their rebrand: "A flawed board is responsible for a flawed strategy."[17]

What is a flawed board?

Conservative activist Robby Starbuck on his social media channel explained as he disparaged Board Member Davila—who is among the restaurant chain's top individual shareholders. "What qualified him for this board seat?" Mr. Starbuck asks in a video. "Well, you see, he's owned a [diversity, equity, and inclusion] (DEI) consulting and strategy firm for 15 years that focuses on pushing DEI and DEI advertising."[18] "This guy's entire resume is a bunch of nonsense," explained another YouTuber.[19]

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10 Tucker, P., Muzikowski, G., Lange, S., FTI Consulting. "What Settlement Data Says About the Evolution of Activism." *Harvard Law School Forum,* 2024.

11 The Activist Report 13D Monitor. Volume 7 Issue 10. October 2017.

12 Levit, D., and Malenko, N. "The Labor Market for Directors and Externalities in Corporate Governance." *Journal of Finance*, Vol. 71, No. 2, April 2016, Jacobs Levy Equity Management Center for Quantitative Financial Research Paper.

13 Fos, V., and Tsoutsoura, M.. "Shareholder Democracy in Play: Career Consequences of Proxy Contests." *Journal of Financial Economics (JFE)*, Volume 114, Issue 2.

14 Independent directors who are voted out are expected to experience career costs that are by more than 170 percent higher than career costs for directors who are not voted out, due in part to enhanced media coverage.

15 Scott, M. "Activist Investors Often Use These Arguments To Oust Board Members." Board Member.com, 2024.

16 https://www.skadden.com/insights/publications/2026/2026-insights/transactional/as-activism-becomes-a-year-round-sport-possible-regulatory

17 Gonzalez-Sussman, E., Berenblat, R., Cohen, R. "As Activism Becomes a Year-Round Sport, Possible Regulatory Changes Could Impact Both Activists and Companies." *Skadden,* 2026.

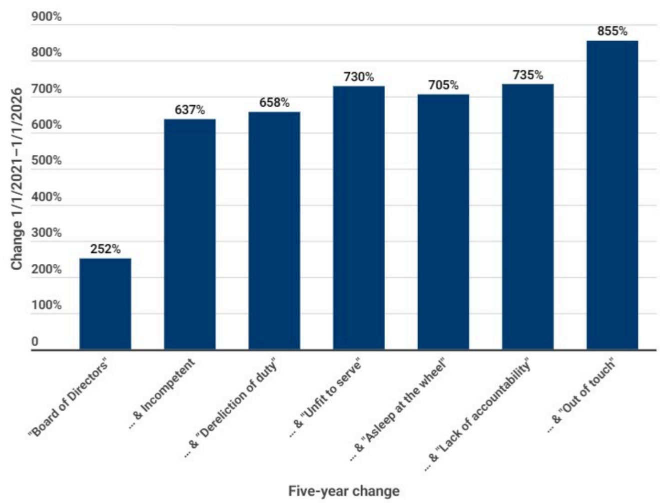
18 Fox Business. "Cracker Barrel board member under fire for DEI background after restaurant ditches traditional logo: ‘What qualified him?’" *New York Post,* 2025.

The activists got their scalp. Only a year after receiving nearly unanimous support from investors, Mr. Davila stepped down from the board after receiving only 40 percent of the vote at the late 2025 annual general meeting.

Public Humiliation Is Surging These Past 2 Years

Corporate director disparagement is surging on the internet. Phrases associated with "board of directors" such as "incompetent," "dereliction of duty," "unfit to serve," "asleep at the wheel," "lack of accountability," and "out of touch" have increased by 600–800 percent over the past 5 years and anywhere from 2.5–4 times the growth of references to "board of directors" in any other context.

Common Terms Used to Disparage Boards



Rebased 5-year growth in the relative frequency of disparaging terms associated with directors and boards.

Source: Google Search. Retrieved January 16, 2026.

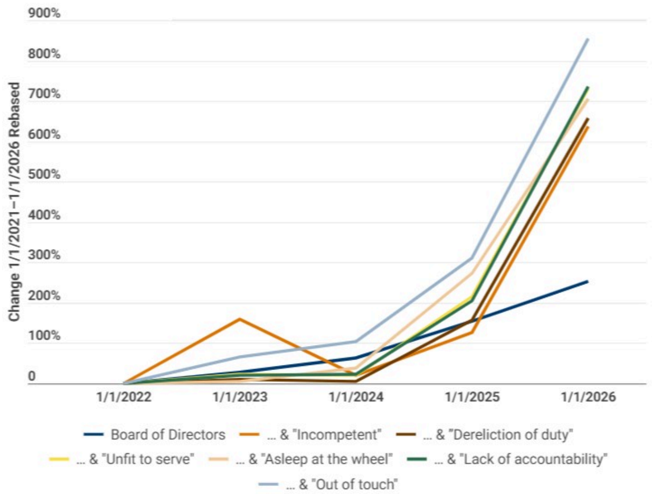
Most of the outsized growth of disparaging language on the internet has taken place these past 2 years. Trian hammered Disney director Maria Elena Lagomasino in 2024 on her alleged poor track record on compensation policies over her entire professional life as a director.[20] Askeladden Capital alleged in its 2025 proxy fight with AstroNova that its "incumbent board (had) been asleep at the wheel" and "lacked a culture of accountability."[21]

19 YellowFlash 2. *This Cracker Barrel DEI board member got EXPOSED! The $100 million dollar FAILURE!*, 2025.

20 Roquette, J. "Four lessons for IROs and governance professionals from Disney's proxy fight with Trian Partners." *IR-Impact,* 2024.

21 "Askeladden Capital Shares Primary Research with AstroNova Shareholders." Finanzwire.com, 2025.

Board Disparagement Began Surging in 2024



Rebased relative frequency of disparaging terms associated with board directors for each of five annual periods. The dark blue line shows the "control" value of the growth of the unadorned term "board of directors."

Source: Google Search. Retrieved January 16, 2026.

D&O Reputational Loss Personal Costs: Unwanted with Fewer Opportunities

Disparagement campaigns exacerbate directors' heightened pressures from presumptive redundancy, irrelevance, and literal oversupply. Some 93 percent of more than 500 executives surveyed by PricewaterhouseCoopers last year said they want someone on their board replaced,[22] while 55 percent of more than 600 directors said the same thing in a separate survey.[23] In a survey by Dataiku and Harris, 94 percent of CEOs admitted an artificial intelligence agent could provide equal or better counsel on business decisions than a human board member.[24] And there are fewer opportunities. A net 391 directors departed the boards of US public companies with market caps between $150 million and $5 billion between January 2025 and January 2026, according to US Securities and Exchange Commission filings tracker DirectorMoves.[25] That's more than five times the net number of departures—a total of 111—during the same time period in 2024 and 2025.

Captive Insurance Is a Critical Safety Net for All Strategic Reputational Risk Defenses

D&O Reputational Risk Insurance Is Mission Critical

For 4 decades, liability insurance for D&Os has helped to secure good governance. Even though liability risk can be managed and mitigated, if a case goes before a jury, the award can be meteoric. Because

[22] "Board effectiveness: A survey of the C-suite." PwC, 2025.
[23] "Driving a culture of accountability in the boardroom." PwC, 2025.
[24] "Over 500 CEOs Worldwide Share Their AI Confessions." Daitaku, 2025.
[25] DirectorMoves. Substack post. January 2, 2026. https://substack.com/@directormoves/note/c-194308891.

the verdict from a jury in a court of law cannot be managed with certainty, D&O liability insurance provides mission-critical board protection.

Reputational risk can also be managed and mitigated. The legal, communications, and governance advisory communities offer a diversity of risk management and governance strategies to preempt ugly personal attacks.

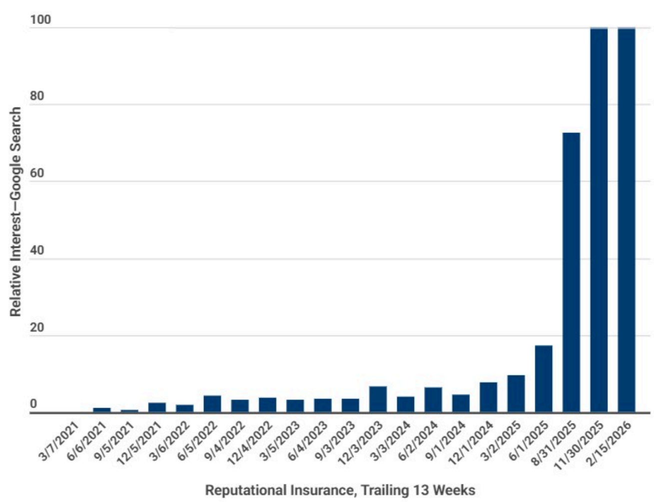
They often fail simply because the threat of personal reputational damage has proven effective in catalyzing change or a legal settlement, and possibly unlocking value. Also, from the perspective of activists, litigators, and political influencers, collecting a director's scalp publicly has an additional strategic benefit. Appearing aggressive and willing to "call out failures" signals competence to potential clients or investors, enhancing their own reputation.

D&O Reputational Risk Insurance Is Desired and Recommended

Judgment in the court of public opinion, like the courts of law, cannot be managed with certainty. If for this reason alone, D&O reputational risk insurance should be a standard feature of good governance. No director should be expected to personally bear the costs of personal humiliation as price of board service. That is why since mid-2025, the DCRO Risk Governance Institute has been recommending D&O reputational risk insurance for corporate board members.[26]

Internet interest in reputational insurance has surged recently. In the trailing 12 months from February 15, 2026, internet searches for reputational insurance jumped 1000% over last year. They were 5,000 percent greater than 5 years ago.[27]

Recent Surge in Searches for Reputational Insurance



Relative frequency of searches on the internet for the term "reputational insurance" presented on a relative scale. The density of searches over the trailing 12 months from February 15, 2026, was 1,000 percent greater than the comparable period in 2024.

Data source: Google Trends. Retrieved February 23, 2026.

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26 DCRO Institute Reputation Risk Governance Council. *Guiding Principles for Reputation Risk Governance. Essential Principles for Boards of Directors*. DCRO Institute, June 2025. p20.

27 Steel City Re analysis, updated November 9, 2025. A slightly older chart can be found at https://plusweb.org/news/weaponized-name-calling-is-harm-insured/.

Firms that secure their governance from reputational risk may also recognize certain regulator and financial benefits. According to the American Law Institute, reputational insurance can reduce compliance risk.[28] Reputational risk management and governance can improve bond ratings and reduce D&O liability insurance pricing. Also, an actively managed reputational often translates into greater resilience[29] and when disclosed publicly, can raise equity value. Examples collected from public disclosures[30] in asset management and custody, pharmaceuticals, and managed health care show sustained average equity value boosts relative to peers at 1, 28, 56, and 84 days of 0.3 percent, 5.6 percent, 3.7 percent, and 4.1 percent.

These additional benefits pale in comparison to the mission-critical objective of securing governance from "scalp-seeking" activists. As the *Financial Times* observed some years back, "Corporate names are resilient: when their images get damaged, a change of management or strategy will often revive their fortunes. But personal reputations are fragile: mess with them and it can be fatal."[31]

Three Strategies for Covering D&O Reputational Risk in a Captive

The strategies developed initially when reputational risk was a peripheral issue have all been proven effective and can be deployed today with confidence. At smaller firms, the greatest concern about reputational risk might be the loss of sales from disaffected customers. A captive could cover this loss with a third party providing forensic consultation. Reputational value loss associated with specific perils that are deemed mission critical might also be covered this way. This captive-based solution protects directors and officers indirectly from derivative litigation in that it demonstrates fiduciarily responsible oversight of reputational risk and value.

Parametric reputational risk coverage is ideally suited for covering enterprise-level losses where the range of triggers might include, but would not be limited to, disaffected customers, distrustful suppliers, disengaged employees, disappointed equity investors, or determined regulators. Insurers and managing general agents offering parametric reputational risk and insurance services can help price and underwrite such risks. This strategy also protects directors and officers indirectly, and it signals reputational risk awareness that investors, creditors, and other insurers have been shown to reward.

The new frontier for captives, the pinnacle of strategic value creation, is securing corporate governance. For firms pursuing this key objective by protecting the board from the personal costs of reputational harm, captive-based parametric insurance with reinsurance following form would be a relatively straightforward process. The captive's D&O reputational risk insurance policy could reflect pricing and triggering features of the D&O parametric reinsurance policy, subject to adjustments for retained risk. Captive owners may wish to engage a third-party expert in D&O reputational risk insurance pricing and underwriting.

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28 §4.10. Strategies for Addressing Compliance Risk. **c.***(h)*. *Principles of the Law, Compliance and Enforcement for Organizations*. American Law Institute, 2025.

29 Araullo, K. "Why reputation risk is the risk factor most companies overlook." *Insurance Business*. August 4, 2025.

30 Kossovsky, N. "Empirical Evidence: Reputation Risk Disclosure Boosts Equity Returns." *Risk&Insurance,* 2025.

31 Gapper, J. *Financial Times*. August 3, 2016.

Concluding Remarks on the Value of Reputational Insurance in Captives

By extending captive programs to cover both corporate and D&O reputational risk, captive owners can move into strategic governance protection—transforming reputational risk from an unpriced vulnerability into a defined, disciplined, and insurable asset stakeholders can appreciate and value.

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