

Insurance for special purpose acquisition companies (SPACs)

There has been a surge in the number of SPAC IPOs in the US, with 2020 seeing 248 SPACs raising \$83bn. In the first 6 weeks of 2021, there have already been 168 SPACs raising \$52.25bn¹, which is astounding.

To date the bulk of activity was with US or Cayman domiciled SPACs listing on the NYSE or Nasdaq, but there is an expectation that this could spread and lead to SPACs listing on the LSE or European exchanges. With the amount of SPAC capital looking to find targets, the European burgeoning tech sector is becoming a real attraction. SPACs offer the target companies the opportunity to access significant liquidity without the execution risk that comes with an IPO and, in the process, become a listed company.

With this growing interest in utilising SPACs as an alternative to traditional IPOs, it is key to ensure that the directors and officers of both the SPACs and any target companies that become newly listed post de-SPAC merger transactions have well-designed Directors & Officers (D&O) insurance programmes that respond effectively.

Given the number of SPAC IPOs and de-SPAC transactions, new lawsuits are regularly being filed and the level of litigation is likely to go only in one direction. With this in mind, it is important to partner with an insurance broker that fully understands these complex risks and can access the limited insurer capacity that is available. Howden has expertise in developing and placing D&O insurance programmes for SPACs and offer an in-house claims advocacy service.

¹SPACinsider website

Insurance placement

We use our strong global insurer relationships combined with a prepared go-to-market strategy to help secure D&O coverage for SPACs.

In order to provide pricing and terms for a SPAC D&O insurance policy, insurers will want to understand the size of the capital raise, the jurisdiction of the targets, as well as the SPAC-related experience of management team and legal support.

We would recommend the following underwriting information be provided before you engage Howden to negotiate with insurers.

- ✔ Size of the raising (including over- allotment)
- ✔ Target industry sectors and geographies
- ✔ Prior experience of the founders/management/board
- ✔ Name of sponsor and whether prior SPAC experience and public company board experience
- ✔ Deal structure
- ✔ Experience in PIPE raisings and M&A
- ✔ Details of any affiliated investment / PE company
- ✔ Quality and SPAC experience of the law firms and book runners involved
- ✔ Ability to fund the D&O policy retention

Specialists in Private Equity

Through our singular focus on the Private Equity sector we have a deep rooted understanding of the risks faced by firms. We use this expertise to deliver better outcomes for our clients. For example, when arranging insurance for a SPAC, we provide clients with guidance throughout its lifecycle so they are well-aware of potential risks, navigate complexities swiftly, drive cost efficiencies and avoid too much cover being purchased.

35%

We are the chosen insurance broker to over 35% of the UK PE sector

330+

Entrusted by over 330 PE firms

BVCA

Active members of the BVCA

Figures based on Howden's client information, March 2021

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