Stephen Raptis in Law360: '6 D&O Provisions to Consider When Buying SPAC Insurance'

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PRACTICES Insurance Recovery, Litigation

Special purpose acquisition companies, or SPACs, have become the predominant form of initial public offerings in the last couple of years, and their popularity continues to grow.

In 2020, SPAC IPOs outpaced traditional IPOs in both total number of offerings and capital raised, according to a report in Nasdaq.

And the outlook for SPACs in 2021 is even more promising. SPAC IPOs in the first quarter of 2021 alone outpaced all of 2020 in number of offerings, 298 versus 248, and collective capital raised, $88 billion versus $83 billion, according to a report in Kiplinger.

SPACs differ from traditional IPOs in that they have no commercial operations — they are formed solely for the purpose of raising funds, through an IPO, to acquire an existing target company that is identified after the SPAC goes public. For that reason, they are often referred to as blank check companies.

Because the directors and officers liability insurance marketplace traditionally has focused on operating companies, placing D&O coverage for SPACs raises a host of unique issues.

Excerpted from *Law360*. To read the full article, click here.