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spac

Started a SPAC and able to sleep soundly?

D&O policy is a certainty

Shaquille O'Neal has his own SPAC, as do Serena Williams and Colin Kaepernick. And along with them, every year hundreds of entrepreneurial types of SPAC are launched in America which shareholders readily subscribe to. The result is a tide of capital-rich companies that, with their stock exchange listing, look for possible acquisition targets.

SPACs are gradually becoming more popular in the Netherlands. And not simply as a game for the rich and famous, but as a tried and tested investment vehicle for serious entrepreneurs, often with a great track record. They use the SPAC as an entity to get a stock exchange listing, primarily because of the speed at which the regulator can give the green light.

Fast result

At the same time, a SPAC confirms the entrepreneurial nature of the directors who choose to commit themselves, therefore lending their reputation to this SPAC. Fewer thick prospectuses, no complicated due diligence processes by the company itself, no elaborate business plans, but results-driven action. A SPAC enables businesses to instinctively hunt for parties with potential within the pre-defined 'playing field'. Efficient, with a clear focus on results.

That dynamism is, in turn, attractive to shareholders who believe in the philosophy behind the SPAC and who don't shy away from a small adventure. They have confidence in the professionalism and vision of the SPAC directors and, in fact, give them carte blanche. The goal being, of course, to achieve a healthy return on the investment.

Insuring setbacks

But things may, of course, turn out differently. Because the acquired company won't succeed, or because an administrative error is made with negative consequences. In this case, as a SPAC director, you want to be certain that you are protected. Even if only any legal defence costs are covered. Every SPAC director will therefore require D&O insurance before starting the process.

D&O specialists

But purchasing directors liability insurance that is entirely appropriate is still often quite a feat. That is due to reduced capacity in the insurance market and because of the high-risk nature of a SPAC. This requires D&O specialists with knowledge of all the 'ins and outs' of the SPAC as a business model. And those specialists enjoy a challenge. For example, run-off risks and pre-existing risks often change significantly once a merger with a party that expressed an interest in the acquisition has been completed. There are only a handful of risk bearers able to provide this type of specific cover and special provisions. But this is possible with thorough substantiation.

At Meijers we have the required practical experience with insuring directors of SPACs with a stock exchange listing (AEX index). Since then, they have slept soundly!

Roberto Ramdin
Rob van Leyen

D&O specialists SPAC

A **SPAC**, ***Special Purpose Acquisition Company*** is, as the name suggests, an acquisition company for special purposes. This is a shell corporation that does not engage in any activities but has the sole purpose of getting a stock exchange listing. The company raises capital through an initial public offering (IPO) for the purpose of acquiring, or merging with, an existing company.

The main advantage of a SPAC is fast access to listing on a stock exchange. After all, the regulator will complete the assessment quickly as the company is (at that point in time) an empty shell.

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Independent adviser

Meijers works with a strong team of over 280 people and is one of the biggest independent insurance brokers in the Netherlands. Meijers originated as a family business; the generation thinking is enshrined in our genes and determines our actions and thoughts. We translate priorities into advice and appropriate insurance products. Always with the business' continuity in mind.