

2027 EDITION

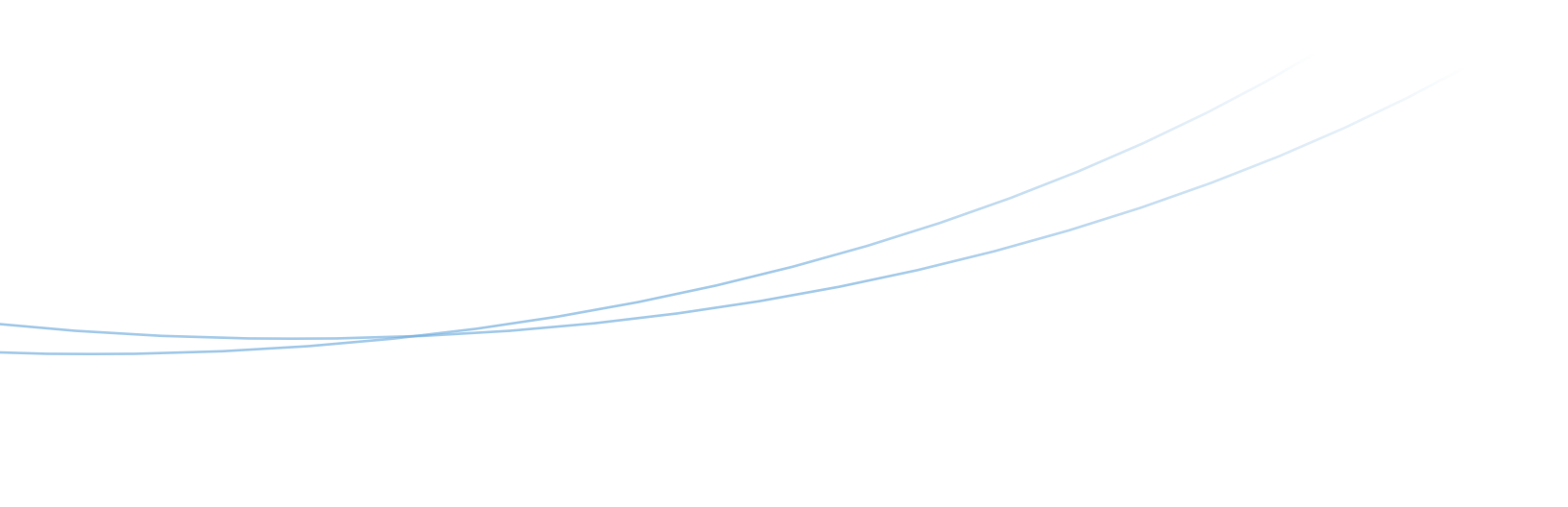
Guide to D&O Insurance for Reverse Mergers



Gallagher

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Leverage Our Reverse Merger Knowledge and Expertise

Gallagher has [extensive experience](#) advising private companies on the design and placement of their D&O insurance programs as they transition to public companies. Our team works alongside boards, management teams and their advisors throughout the process of going public, helping companies anticipate potential insurance issues, navigate the D&O insurance underwriting market and build programs designed for life as a public company.

This interactive guide draws on that experience to highlight the key D&O insurance and related governance considerations companies should keep top of mind as they prepare for, execute and emerge from a reverse merger.

Reverse Merger Overview

A different path to the public markets

A reverse merger offers private companies an alternative path to becoming publicly traded. In a typical reverse merger, a private operating company combines with an existing public company, and the private company's business and shareholders generally become the principal business and owners of the combined public company.

Unlike a [traditional IPO](#), a reverse merger doesn't involve the same underwritten public offering process. However, the result is similar in that a company that was previously private must be ready to [operate as a public company](#). That transition can happen quickly.

From a [Directors and Officers \(D&O\) insurance](#) perspective, a reverse merger presents its own set of challenges. The insurance strategy must account for the historical liabilities and existing D&O programs of the companies entering the transaction, potential exposures arising from the transaction itself and the future risks of the combined public company.

That makes timing important. Stakeholders must consider decisions involving existing D&O policies, change-in-control provisions, run-off coverage and the new public company insurance program during the planning stage and alongside the transaction — not after the closing date has been set.

► Learn more in our
Guide to D&O Insurance for IPOs and Direct Listings

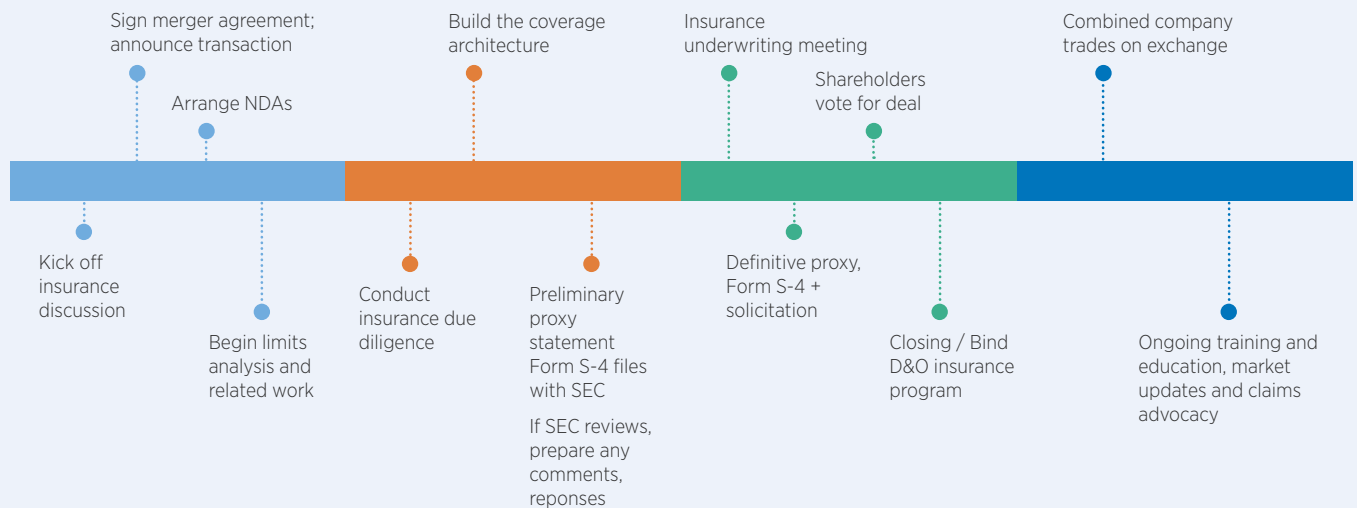
► Learn more about
For IPOs, SPACs or Reverse Mergers, the Governance Bar Is Higher



The reverse merger insurance timeline

The D&O insurance workstream ideally begins at the same time the private company plans to do a reverse merger. Early planning provides more time to evaluate existing coverage, identify potential gaps, assess the insurance history of the parties and develop the go-forward public company program.

Reverse Merger Insurance Timeline



D&O Insurance Process

PREPARE

- Start the insurance conversation early
- Select D&O broker
- Review existing D&O insurance programs
- Assess change-in-control provisions
- Identify potential coverage gaps
- Consider run-off and go-forward needs

EVALUATE AND STRUCTURE

- Conduct insurance due diligence
- Assess legacy public company exposures
- Evaluate private company exposures
- Determine run-off strategy
- Develop the go-forward public company program

UNDERWRITE AND IMPLEMENT

- Develop the underwriting story
- Conduct executive D&O insurance benchmarking and refine limits analysis
- Negotiate coverage and pricing
- Coordinate coverage effective date with deal closing
- Finalize and bind program

OPERATE AND RENEW

- Operate as a public company
- Monitor changes in the company's risk profile
- Reassess the insurance program as the company evolves
- Prepare early for the first insurance program renewal

Source: Gallagher

1 Prepare

Start the insurance conversation early

A reverse merger creates a transition from private company to public company risk, but the insurance strategy should account for both.

Early in the process, companies and their advisors should evaluate the anticipated transaction structure, the existing D&O programs of both parties and the insurance needs of the combined public company.

Among the questions to consider:

- Which entity will survive the transaction?
- What constitutes a change in control under the existing D&O policies?
- What historical existing claims or other liabilities does each party have?
- Which individuals need protection for pre-closing conduct?
- What run-off or tail coverage will be needed?
- What limits should the combined public company carry?

Answering these questions early can help companies avoid making important coverage decisions on a compressed timeline immediately before closing.

Understand the existing insurance programs

Insurance diligence should be part of transaction diligence.

The private company and existing public company will each enter the transaction with different insurance programs, claims histories, policy terms and legacy exposures. Those differences can affect both the coverage needed for historical conduct and the underwriting of the combined company insurance program.

For each existing D&O program, some key areas are worth reviewing:

Coverage: Limits, retentions, insurers, policy period, exclusions and endorsements.

Change in control: When coverage converts to run-off and how the policy defines the triggering transaction.

Claims and reported circumstances: Existing claims, investigations and previously reported circumstances.

Historical exposure: Prior transactions, securities offerings, regulatory matters and other events that could generate future claims.

The goal is to understand what coverage exists today and to plan for what coverage should look like once the transaction closes.



2 Evaluate and Structure

Know what the combined company is inheriting

Unlike a [traditional IPO](#), a reverse merger generally involves an existing public company with its own history. Understanding that history is an important part of both transaction diligence and D&O insurance planning.

The diligence process may include reviewing the public company's SEC filings, capitalization, prior securities offerings, litigation and regulatory history, former directors and officers, prior transactions and any outstanding warrants or convertible securities.

The diligence process should also evaluate the private company's historical exposure, including claims or circumstances arising from financing activities, investor communications, employment matters, fiduciary obligations and the negotiation of the transaction itself.

Build the coverage architecture

One of the most important insurance questions in a reverse merger is deceptively simple: Which policy protects which directors and officers, and importantly, for which period? The answer may involve multiple policies.

Companies will generally need to evaluate existing D&O policies for run-off treatment following a change in control while they establish a new public-company program for the combined company's post-closing activities.

Insurance diligence should be part of transaction diligence.

The D&O program ultimately needs to address three categories of risk:

- 1 What happened before the transaction
- 2 What happens in connection with the transaction
- 3 What happens after the company becomes public



Protect the past

Run-off or “tail” coverage generally preserves coverage for claims arising from wrongful acts that occurred before the change in control, even when the claim is made after closing.

Companies should carefully evaluate the applicable change-in-control provisions, the length and limits of available run-off coverage, the individuals and entities protected and the relationship between the run-off policies and the new public company program.

They may need to perform this analysis separately for the private company and the legacy public company.

Companies should also pay attention to claims involving conduct that occurs near or spans the closing. The policy language will ultimately determine how coverage applies.

Finally, don't assume that all the old policies need tail coverage. In some cases, coverage may be better without a tail if the go-forward policy covers post-close claims arising from pre-claim activities. Talk to your trusted insurance advisor to better understand this important concept, especially because this path is often the more economical one.

Protect the future

At closing, the combined company will need a **D&O program** designed for the exposures of a publicly traded company.

A typical **public company program** includes Side A coverage for individual directors and officers when indemnification is unavailable, Side B coverage reimbursing the company for indemnification and Side C coverage for certain securities claims against the company.

Companies should also consider **dedicated Side A** or Side A Difference-in-Conditions coverage as part of the overall structure.

The appropriate limits, **retentions** and structure will depend on various factors, including the company's capitalization, industry, financial condition, shareholder profile, transaction structure and risk tolerance. Ideally, you're working with an insurance broker that has access to detailed public-company claims data and can model various outcomes.

► Learn more in

D&O Insurance 101: Policy Terms

► Learn more about

D&O Insurance 101: An Overview of D&O Risks and the D&O Insurance Policy

► Read more in

Side A Insurance Overview for Directors and Officers

► Learn more in

D&O Insurance 101: Self-Insured Retentions Versus Deductibles

► Read more in

Updating Personal Indemnification Agreements

3 Underwrite and Implement

Tell the underwriting story

D&O insurers will evaluate more than the mechanics of the reverse merger. They'll want to understand the business that will emerge from it.

A well-prepared underwriting process should explain the strategic rationale for the transaction, combined capitalization, financing and cash runway. It should also consider the management and board composition, shareholder base, disclosure process and expected business plan.

Life sciences companies may want to pay additional attention to clinical development, regulatory milestones, cash runway and future capital requirements. Other industries will have their own risk drivers.

The objective is to provide insurers with a coherent picture of both the transaction and the company they're being asked to insure after closing.

Reverse Merger Insurance Milestones by Transaction Phase

What should happen before signing, between signing and vote, at closing and after closing.

Pre-signing	Signing / Announcement	SEC Process / Solicitation	Closing	Post-close
Run current-policy diligence; identify claims / circumstances; test change-in-control language; estimate tail and go-forward tower cost.	Obtain carrier NDAs and send out underwriter submission.	Hold underwriter calls; refresh underwriters on risk factors, PIPE updates, projections, cash runway and governance updates.	Bind go-forward tower, Side A and any runoff/tail; confirm effective time, named insured, pending/prior dates, continuity and transaction endorsements.	Deliver final disclosures, final board/management list and capitalization; schedule first public-company renewal strategy 90-120 days out.

D&O Underwriting Package: Worth Assembling Early

The cleaner the package, the faster the D&O market will be able to respond.

Transaction materials

- Merger agreement and disclosure schedules when available.
- Investor deck, PIPE materials and cap table.
- Draft or filed proxy/Form S-4 and any SEC comment correspondence.
- Closing conditions, exchange listing path and expected timing.

Company risk materials

- Audited and interim financial statements; cash runway analysis.
- Litigation, threatened claims and regulatory inquiries.
- Risk-factor draft, FLS language and projection controls.
- Board/management roster, committee structure and indemnification agreements.

Insurance materials

- Current public-company and private-company D&O towers.
- Policy forms, endorsements, Side A, EPL/fiduciary/cyber where relevant.
- Claim notices, circumstances, and loss runs.
- Requested go-forward limits, retentions, tail/runoff assumptions and continuity dates.

Determine the right program

There is no single “right” [amount of D&O insurance](#) for a company completing a reverse merger.

Benchmarking against comparable public companies can provide a useful starting point, but an evidence-based limits analysis should also consider the company’s specific exposure, capitalization, industry, financial condition, shareholder profile and risk tolerance.

Coverage terms matter as well. The placement process should include careful consideration of several issues, including prior acts, pending and prior litigation, continuity, related claims, conduct exclusions, transaction-related exclusions and warranties.

Ultimately, those approving the final D&O insurance program shouldn’t just understand the cost and amount of insurance being purchased, but also how various pieces of the program work together.

Coordinate the closing

Coordinate the insurance transition with the legal closing of the reverse merger.

Before closing, the company and its advisors should confirm that applicable run-off terms have been negotiated, the go-forward program is finalized, limits and structure have received appropriate approval, warranties have been addressed and the effective times of the various policies are coordinated.

► Learn more about

Building a Tailored Public Company D&O Program: Risk Management Trade-Offs

► Learn more in

The “Reasonable” Public Company D&O Policy



4 Operate and Renew

Prepare to operate as a public company

Closing the reverse merger isn't the end of the transition. And preparation for public company life should begin before the company starts trading, not afterward.

The combined company should be prepared to operate under the governance, disclosure and compliance expectations applicable to a public company. For organizations that have historically operated as private companies, that transition to public-company requirements can occur quickly.

Public company readiness will include evaluating board and committee structure, charters, [indemnification agreements](#), disclosure controls, insider trading policies, Regulation FD (Fair Disclosure) practices, whistleblower processes and other governance policies.

Boards and management teams should also consider emerging areas of oversight, including cybersecurity and artificial intelligence, as part of the company's broader risk-management framework.

A reverse merger can compress the transition timeline from private company governance to public company expectations.

To help, Gallagher provides a [variety of resources](#), including [webinars and white papers](#). You can also [sign up to](#) receive our weekly blog on topics related to D&O risk and corporate governance, the [D&O Notebook](#). In addition, your account executive can send our latest [Board Education Resource Guide](#), which includes information about various resources, including Gallagher's own customized sessions.



The first year as a public company

Risk changes after closing, and the D&O program should evolve with it.

The first year provides an opportunity to evaluate how the company's risk profile has changed, address new exposures and any [shifts in the D&O market](#) and prepare for the first public-company D&O renewal.

Post-Merger Insurance Timeline

Post-close

- Confirm the management liability insurance program reflects the company that emerged from the reverse merger transaction.
- Monitor early public company exposures.

As the company evolves

- Revisit any material changes in capitalization, financing and operations.
- Consider acquisitions, new directors and officers, or other significant developments.
- Assess emerging litigation and regulatory exposures.

90-120 Days before renewal

- Begin the insurance renewal process.
- Update the company's underwriting story and risk profile.
- Revisit insurance limits benchmarking and refine limits analysis.

First renewal

- Reassess insurance limits, retentions and program structure.
- Evaluate insurers, pricing and coverage terms and conditions.
- Incorporate lessons from the company's first year operating as a public company.

The insurance program should continue to be evaluated as the company raises additional capital, completes acquisitions, adds directors and officers or otherwise changes its risk profile.

► Learn more in

Our D&O Databox 2026 Mid-Year Report

► Listen to a replay of our webinar

The Biggest D&O Themes of 2026: Disruption (AI, Regulation, Corporate Law)

Questions about this Guide? Comments? Compliments?

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