

SPAC Securities Class Action Comes for Recently Public Health Care Company

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Clover Health is an insurance company focusing on Medicare Advantage that uses its proprietary software platform to offer PPO and HMO plans to eligible consumers. It fits the mold for many would-be SPAC acquisitions: a technology company with its own platform (known as the Clover Assistant) servicing a growing industry (health care). Chamath Palihapitiya must have thought so as well, as Clover Health announced its plans to merge with his SPAC – Social Capital Hedosophia Holdings Corp. III (“SCH”) – on October 6, 2020. The business combination was completed three months later, on January 7, 2021.

However, less than one month later, a sole plaintiff filed a [purported federal securities class action](#) against Clover Health Investments, SCH, and relevant officers and directors in the United States District Court for the Middle District of Tennessee. In his complaint, the plaintiff highlighted an [analyst report](#) alleging Clover Health and Mr. Palihapitiya “misled investors about critical aspects of Clover’s business in the run-up to the company’s SPAC go-public transaction” and that Clover Health was under active investigation by the Department of Justice for allegedly improper business practices. Based on these allegations, the complaint contends Clover Health failed to disclose material information, causing its public statements to be materially false and misleading.

Clover Health has not yet filed its response, and the Court has not made any statements about class certification.

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