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FOR IMMEDIATE RELEASE

Total Settlement Dollars for Securities Class Actions Hit 16-Year Low
Drop-off in number of large settlements

Washington, March 24, 2015—A Cornerstone Research report released today shows that total settlement dollars in securities class actions hit their lowest mark in 16 years in 2014. The average settlement amount also reached its lowest level since 2000, according to [*Securities Class Action Settlements—2014 Review and Analysis*](#).

Total settlements dropped to \$1.1 billion, from \$4.8 billion in 2013, primarily due to a lack of large cases. The largest settlement amount in 2014 was \$265 million, compared with \$2.5 billion in the prior year. According to the report, the number of settlements remained largely unchanged last year at 63.

The report also examines “estimated damages,” the most important factor in predicting settlement amounts. Average “estimated damages” decreased 60 percent from 2013 and were 70 percent lower than in 2012. (“Estimated damages” are a simplified calculation of potential shareholder losses used for the purposes of this research, and are not intended to be indicative of alleged economic damages incurred by shareholders.)

“Since stock price movements are fundamental to damages calculations, lower ‘estimated damages’ may stem from the reduced stock price volatility during the years when many of these cases were filed,” said report coauthor Dr. Laura Simmons, a senior advisor in Cornerstone Research’s Washington office. “And, as the market has remained relatively stable on the whole in 2013 and 2014, it suggests that this trend of lower ‘estimated damages’ for settled cases may continue.”

In addition to lower average “estimated damages,” a smaller proportion of large cases involved third-party defendants and public pensions as lead plaintiffs, which contributed to the lower level of settlement amounts. Both of these factors are typically associated with higher settlements.

Not only did public pensions participate in fewer settlements in 2014, but their typical association with cases involving larger market capitalization losses, higher numbers of docket entries prior to settlement, accompanying derivative actions, and corresponding SEC actions did not hold in 2014.

“The class action securities fraud market appears to be shrinking, whether measured in terms of the size of settlements or in the severity of new actions filed,” observed Professor Joseph A. Grundfest, director of the Stanford Law School Securities Class Action Clearinghouse. “It may also mean that public pensions could have fewer large cases to draw them into the lead plaintiff role.”

The report also found a decline in settlements involving financial firms in 2014, as a majority of credit crisis–related cases that had constituted a large portion of financial-sector settlement activity in recent years have progressed through the litigation process.

Highlights

- Total settlement dollars in 2014 declined 78 percent from 2013 and were 84 percent below the average for the prior nine years.
- The average settlement size was \$17 million, down from \$73.5 million in 2013, while the median settlement amount (representing the typical case) declined only slightly from \$6.6 million to \$6.0 million.
- In 2014, the percentage of settlement dollars from mega settlements (above \$100 million) was the lowest in 16 years.
- The average Disclosure Dollar Loss associated with settled cases in 2014 decreased 52 percent from 2013. (Dollar Disclosure Loss is a calculation of investor losses at the time that an alleged fraud is disclosed.)
- For cases settled in 2014, average docket entries, which can reflect the complexity of the case and the degree to which it progressed before settlement, fell compared to prior years.

Dollar amounts have been adjusted for inflation; 2014 dollar equivalent figures are used.

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