

## Securities Class Action Settlement Trends: Number of Settlements Down, But Dollar Amounts Up, According to Cornerstone Research

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Cornerstone Research, a top consulting and expert testimony firm, recently issued its [annual report analyzing securities class action settlements](#). Cornerstone reported that, in 2023, the number of settlements in securities class actions declined, but the settlement dollar amounts increased. The settlement data shows that securities class actions can create substantial exposure for public companies. These risks heighten the importance of selecting strong and experienced counsel to maximize the chance of an early dismissal and obtaining a favorable result.

Key takeaways from the report include:

- 2023 saw a significant decline in the number of securities class action settlements, which dropped 21% from the 15-year high recorded in 2022.
- Despite this decrease, the median settlement amount rose to its highest level since 2010.
- While the total dollar amount settled remained fairly stable at \$3.9 billion (only slightly down from \$4 billion in 2022), the median settlement amount increased to \$15 million, an 11% increase from 2022 and the highest amount recorded since 2010.
- Of these, there were nine “mega settlements” in 2023 (the highest number since 2016), ranging from \$102.5 million to \$1 billion, which accounted for nearly two-thirds of the total settlement dollars in 2023.
- While the median settlement amount for cases with an accompanying derivative litigation rose dramatically in 2023, the median settlement amount for cases with a corresponding Securities and Exchange Commission (SEC) action actually dipped below what it was for cases without one.

### Decline in number of settlements, increase in median settlement amount

The report offers several reasons for the decline in settlements in 2023. The median duration from case filing to settlement hearing in 2023 stretched to nearly **four years**, a high seen only one other time since the Private Securities Litigation Reform Act was passed in 1995. Cornerstone adds that disruptions associated with the COVID-19 pandemic also could be a contributing cause, as well as cases reaching more advanced stages prior to resolution. For example, Cornerstone notes a smaller proportion of cases settling before a ruling on class certification as compared to prior years.

Despite this decline in the number of settlements, the median settlement amount rose to its highest level since 2010. The report postulates that the increase in settlement amount could be due to an increase in issuer defendant assets, which soared to an unprecedented \$3.1 billion, reflecting a **more than 150% increase** over the median of the previous nine years. Cornerstone attributes the increase in issuer assets to defendant companies being more mature than in prior years – emphasizing that the median age for publicly traded defendant companies was 16 years, up from the median age of 11 years for settlements between 2014 and 2022. It also notes an increase in cases settled with companies in the financial sector, which tend to have higher total assets as compared to other sectors. Finally, Cornerstone adds that the number of issuers delisted from a major exchange or that declared bankruptcy prior to settlement – factors generally associated with lower settlement amounts – decreased from 10% in 2022 to an all-time low of 7% in 2023.

### Settlements by industry

Cornerstone’s report reflects that the number and median amount of settlements varied by industry. Notably, cases involving the **pharmaceutical** industry saw the **highest number** of settlements and the **lowest median settlement amount**, followed closely by the **technology** sector. In contrast, the financial sector had the highest median settlement amount, followed by the retail and telecommunication sectors.

### Impact of accompanying derivative or SEC actions

The report adds that in 2023, the median settlement amount for cases with at least one accompanying derivative action was \$21 million, which was 40% higher than in 2022. According to Cornerstone, historically, securities class actions

involving parallel derivative actions with similar claims have settled for higher amounts than those without accompanying derivative matters. (This is possibly because the fact patterns of class actions in which derivative actions follow tend to involve more egregious allegations or higher monetary exposure for defendants.)

Cornerstone similarly reports that cases with a corresponding SEC action have historically settled for “substantially” higher amounts. Notably, 2023 broke that pattern, as the median settlement amount for cases with a corresponding SEC action was **less** than in cases without one. The percentage of settled cases involving an accompanying SEC action was 12% – down from the nine-year average (19%) but slightly up from 2021 and 2022 (less than 10%). This could indicate that the SEC is taking slightly more interest in class action cases, so it is crucial for companies to hire counsel with strong experience in regulatory investigations.

## Significance

The data reiterates that securities class actions can subject companies to substantial monetary exposure. It also suggests that the plaintiffs’ bar, as a whole, is more willing to take cases further into discovery. It is unclear whether the number of settlements will continue to decrease and how that corresponds to settlement amounts, if at all. However, we – and the industry – will be monitoring the data closely.

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