

Securities Class Action Settlement Trends: Smaller Sizes and Smaller Players, According to Cornerstone Research

May 20, 2025

Cornerstone Research, a top consulting and expert testimony firm, recently issued its [annual report analyzing securities class action settlements](#). Cornerstone reports that, in 2024, both total settlement dollars and the median settlement amount declined from 2023, though they remained at high levels compared to the past decade. Cornerstone is changing the way it measures alleged damages in its settlement reports from “simplified tiered damages” to “plaintiff-style damages.”

Key takeaways from the report include:

- The median settlement amount (\$14 million) declined 10% from 2023, and the average settlement amount (\$42.4 million) declined 13%. The median settlement amount for cases with only Securities Act claims (\$10.3 million) declined even more and was down 26% compared to 2023.
- Total settlement dollars declined 8%, but the total number of settlements increased; this dynamic is attributable to a smaller number of mega-settlements (\$100 million+).
- Seven mega-settlements made up 54% of the total settlement dollars, down from nine in 2023. The largest mega-settlement was \$490 million, down from \$1 billion in 2023.
- Seventeen settlements were related to special purpose acquisition companies (SPACs), a marked increase compared to 2017 – 2023, which only saw six SPAC-related settlements in total.
- Cases with an accompanying derivative action had median plaintiff-style damages that were 47% higher than those without one; this represents the largest percentage difference in the past five years.
- 2024 saw lower institutional investor involvement on the plaintiff side and increased financial distress on the issuer defendant side.

Smaller players, shorter durations

According to the report, one of the factors that may have contributed to the smaller settlement sizes is the change of players on both sides of the table. On the plaintiff side, institutional investors served as lead plaintiff in only 39% of the 2024 settlements – the lowest rate in the last two decades. Institutional investor involvement tends to correspond with higher plaintiff-style damages that result in larger settlements. On the defense side, issuer defendants in 2024 had the smallest median total assets observed since 2018, and a greater percentage of them declared bankruptcy and/or were delisted. Issuer distress implicates reduced ability to fund a settlement, which may be associated with lower settlement dollars.

Meanwhile, the median duration from case filing to settlement hearing declined slightly, from 3.7 years in 2023 to 3.2 years in 2024, but remained the third-longest duration since 2015. Indeed, the median number of docket entries reached 149, the highest since 2010. Cornerstone observed that, in 2024, only two cases settled before the filing of a motion to dismiss, whereas from 2015 – 2023, an average of about seven cases per year settled that early.

Settlements by industry

Cornerstone’s report reflects that the number and size of settlements continues to vary by industry. Consistent with last year, 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 healthcare sector had the lowest number of settlements but the second-highest median settlement amount.

Switching from simplified tiered damages to plaintiff-style damages

In the past, Cornerstone used “simplified tiered damages” to measure potential investor losses. Using tiered damages, [as Cornerstone explained in a prior article](#), is a method tied to specific dates during the alleged class period. In the settlement context, tiered damages are calculated with “a constant dollar value line that reflects the price change at the end of the class period when there is one alleged corrective disclosure date,” or “a tiered dollar value line that reflects the

cumulative price changes associated with multiple dates identified in the settlement notice.” The methodology of tiered damages embraces the considerations in the US Supreme Court’s decision in [Dura Pharmaceuticals Inc. v. Broudo](#), requiring a causal link between the alleged fraud and the alleged losses.

In this year’s report, Cornerstone shifted away from simplified tiered damages and adopted a new method: plaintiff-style damages. According to Cornerstone, the approach of plaintiff-style damages “enhance the estimation of potential investor losses by incorporating additional case-specific data.” The more nuanced adjustments tend to result in smaller amounts than those measured based on simplified tiered damages. Cornerstone found plaintiff-style damages to be “the single most important factor in explaining individual settlement amounts.”

Additionally, Cornerstone noted that larger cases typically settle for a smaller percentage of plaintiff-style damages. In 2024, the overall median settlement was 7.3% of plaintiff-style damages. However, this percentage was 28.2%, the highest level since 2017, for cases with plaintiff-style damages of less than \$25 million.

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