

Securities Class Action Settlements Stay on Pace Despite Pandemic

Article By:

Cornerstone Research

Median settlement value in 2020 declined 13% from 2018/2019 levels.

Washington – March 17, 2021 – Despite the unprecedented economic disruption that the COVID-19 pandemic caused in 2020, settlements in securities class actions generally continued at a pace typical of recent years, according to a new Cornerstone Research report released today.

The report, *Securities Class Action Settlements—2020 Review and Analysis*, found that courts approved 77 settlements totaling \$4.2 billion in 2020, compared to 74 settlements totaling \$2.1 billion the previous year. There were six mega settlements (equal to or greater than \$100 million) in 2020, ranging from \$149 million to \$1.2 billion. Excluding settlements over \$1 billion, total settlement values declined by 4% in 2020 over 2019.

The median settlement value of \$10.1 million in 2020 fell 13% from 2019 (adjusted for inflation) but was still 19% higher than the prior nine-year median. The average settlement amount in 2020 was \$54.5 million, representing a 15% increase over the prior nine-year average.

The report also analyzed “simplified tiered damages,” a measure of potential shareholder losses. In 2020, median “simplified tiered damages” at \$326 million was the second highest in the last decade.

Commentary

Laura E. Simmons, a Cornerstone Research senior advisor and report coauthor: “Any disruption in settlement rates as a result of the COVID-19 pandemic appears to have been temporary, with the overall number of settlements for 2020 in line with recent years. It will likely be at least a couple of years before we learn whether COVID-19-related allegations have had an impact on other settlement trends.”

Laarni T. Bulan, a Cornerstone Research principal and report coauthor: “In several respects, after an unusual year in 2019, cases settled in 2020 represented a return to levels prevalent in prior years. However, one prominent trend continuing from 2019 is an increase in the size of issuer defendant firms.”

Highlights

- 45% of cases settled for between \$5 million and \$25 million in 2020, a return to pre-2019 levels.
- For cases with Rule 10b-5 claims, the median settlement as a percentage of “simplified tiered damages” was 5.3% in 2020, slightly higher than prior years.
- Measured by median total assets, the size of issuer defendant firms involved in settled cases in 2020 increased by 34% over 2019 and by more than 125% over the previous nine years.
- The proportion of settled cases alleging GAAP violations in 2020 was 42%, among the lowest of all post–Reform Act years.
- The frequency of settled cases involving a corresponding Securities and Exchange Commission action fell 32% from the prior year.
- 55% of settled cases involved an accompanying derivative action, the second-highest rate over the last 10 years.

Read: [Securities Class Action Settlements—2020 Review and Analysis](#).

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