

Approved Claims Rates in Securities Class Actions

Updated Evidence from 2015–2024 Rule 10b–5 Settlements

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Using data from over 350 Rule 10b-5 securities class action settlements from 2015 to 2024, this study compares total approved damages claims calculated by settlement claims administrators (Approved Claims) to a standardized measure of plaintiff-style estimates of aggregate damages (Plaintiff-Style Damages). The results show that, for the median case, Approved Claims are approximately 44% of Plaintiff-Style Damages and, on average, Approved Claims are approximately 52% of Plaintiff-Style Damages. While there is variation in Approved Claims Rates across cases, this study finds no clear trend in Approved Claims Rates over the 2015 to 2024 time period.

Estimates of aggregate damages play a key role in settlement negotiations. Such estimates are typically based on probabilistic models of investor trading behavior and aggregate trading data that may not fully and accurately capture investor trading patterns.¹ The results in this study indicate that such estimates, in particular Plaintiff-Style Damages, tend to overstate actual damages claimed by investors in settlements.

This study updates and supplements a 2020 study that analyzed Approved Claims for Rule 10b-5 securities class action settlements from 2015 to 2018.² The 2020 study analyzed Approved Claims relative to plaintiffs' estimates of aggregate damages.³ Plaintiffs' estimates are often represented by plaintiffs to be their "best-case scenario" or the "maximum potential recovery," but the methodology underlying those estimates likely differs across cases.⁴ This study expands the earlier sample of cases and adopts a standardized plaintiff-style estimate of aggregate damages based on the stock-price movements associated with the alleged disclosure dates that are described in the settlement plan of allocation for each case.^{5,6}

This study compares total approved damages claims calculated by settlement claims administrators to a standardized measure of plaintiff-style estimates of aggregate damages.

CALCULATION OF APPROVED CLAIMS RATES

This study calculates an “Approved Claims Rate” for each of the more than 350 cases in the sample. The Approved Claims Rate is calculated as the ratio of Approved Claims to Plaintiff-Style Damages, a measure of potential investor losses that allows for consistency across the entire group of cases.

Approved Claims

Approved Claims for each case equal the total dollar value of recognized losses across all investors who submitted damages claims and whose claims were approved by the settlement claims administrator. Claims administrators calculate recognized losses for each class member based on that class member’s transactions in the security at issue. Per-share damages are calculated using a formula based on the timing of those transactions, which is described in the settlement notice, under a “plan of allocation.” The recognized loss formula in the plan of allocation is typically based on plaintiff estimates of inflation, assuming plaintiffs would have succeeded in proving their allegations (with respect to per-share damages and the class period) that survived through the time of settlement.

Total recognized losses across all investors’ Approved Claims are often provided in a declaration submitted to the court by the claims administrator. The declaration may be filed as an attachment to the plaintiffs’ motion for payment of litigation expenses out of the settlement fund, including payment of the claims administrator’s fees. This motion is typically filed near or in conjunction with the motion to disburse the settlement funds to claimants.⁷

Plaintiff-Style Damages

Plaintiff-Style Damages are a measure of potential investor losses estimated using a methodology that aligns with approaches used by plaintiffs in the current securities class action litigation environment.⁸ Plaintiff-Style Damages are based on the stock-price movements associated with the alleged corrective disclosure dates that are described in the settlement plan of allocation. Plaintiff-Style Damages incorporate case-specific data, including adjustments for

short interest positions and shares estimated to be held by institutional investors throughout the entire class period.

This study calculates an “Approved Claims Rate” for each of the more than 350 cases in the sample.

APPROVED CLAIMS RATES IN RULE 10B-5 SETTLEMENTS

The sample in this study comprises all U.S. federal securities class action settlements with settlement hearing dates between 2015 and 2024 for which there are Rule 10b-5 allegations only (e.g., excludes cases with additional Section 11 allegations), where the only security at issue is the company’s common stock, and where data were available to determine Approved Claims and Plaintiff-Style Damages. The data collection process resulted in 353 settlements between 2015 and 2024 for which both Approved Claims and Plaintiff-Style Damages were available.⁹

Over the sample of 353 cases, the median and average Approved Claims Rates are 44.1% and 52.3%, respectively.¹⁰ In other words, the total value of recognized losses for valid claims submitted by investors seeking to recover in the settlement was on average approximately half of Plaintiff-Style Damages.

Number of Settlements	
Total	353
Approved Claims Rate	
Average	52.3%
25th percentile	23.0%
50th percentile	44.1%
75th percentile	71.8%

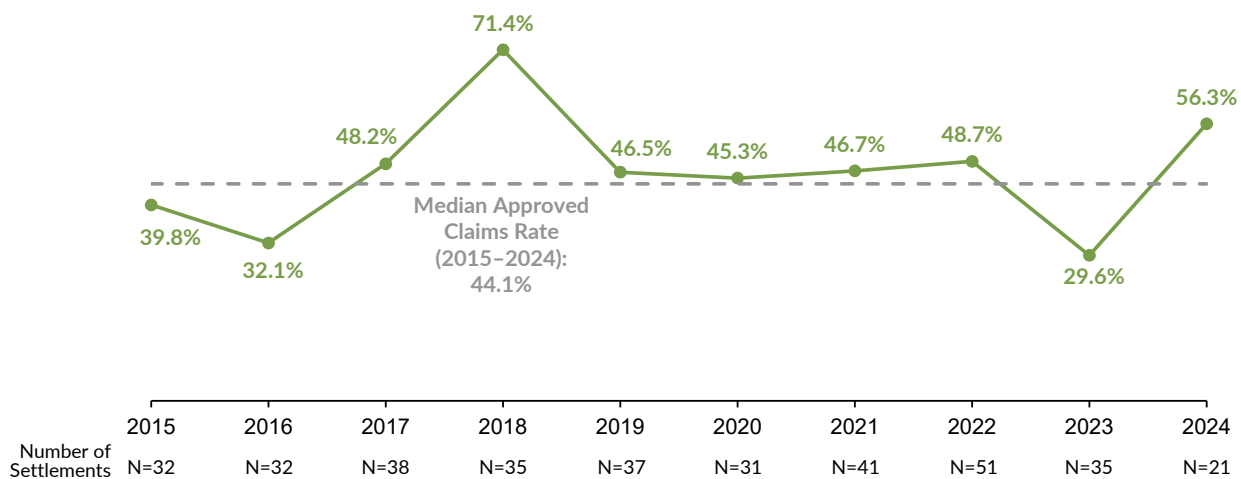
Thus, the analysis in this study reveals that aggregate damages estimates from trading models, on average, substantially overstate claimed damages for cases that settle.

As shown, there is variation in Approved Claims Rates in Rule 10b-5 settlements, which further indicates that aggregate trading models are unreliable predictors of actual claimed damages.

An additional contribution of this study is to analyze whether there is evidence of an upward trend in claims rates (e.g., due to technological improvements reducing the cost of submitting claims). This study finds no clear trend in Approved Claims Rates over the 2015 to 2024 period.

This study finds no clear trend in Approved Claims Rates over the 2015 to 2024 period.

Median Approved Claims Rate Based on Settlement Model Plaintiff-Style Damages 2015–2024



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ENDNOTES

- ¹ Estimates of aggregate damages based on trading models may not reflect the actual timing of investor purchases and sales during the alleged class period and do not account for potential inflation offsets among multiple trades by individual investors.
- ² C. Galley, N. Yavorsky, F. Lacerda, and C. Gemayel, “Approved Claims Rates in Securities Class Actions: Evidence from 2015–2018 Rule 10b-5 Settlements,” Cornerstone Research, 2020, <https://www.cornerstone.com/wp-content/uploads/2022/01/Approved-Claims-Rates-in-Securities-Class-Actions%E2%80%94Evidence-from-2015%E2%80%932018.pdf>. See also, C. Galley, E. McGlogan, and P. Morel, “Approved Claims Rates in Securities Class Actions,” Cornerstone Research, 2017, https://www.cornerstone.com/wp-content/uploads/2021/12/Galley_McGlogan_Morel_Claims-Rates-in-Securities-Class-Actions.pdf.
- ³ Plaintiffs may report estimates of aggregate damages in the motion plaintiffs file with courts in support of approval of proposed settlements. Plaintiffs’ estimates of aggregate damages are typically included in a section discussing the reasonableness of the settlement.
- ⁴ C. Galley, N. Yavorsky, F. Lacerda, and C. Gemayel, “Approved Claims Rates in Securities Class Actions: Evidence from 2015–2018 Rule 10b-5 Settlements,” Cornerstone Research, 2020, <https://www.cornerstone.com/wp-content/uploads/2022/01/Approved-Claims-Rates-in-Securities-Class-Actions%E2%80%94Evidence-from-2015%E2%80%932018.pdf>. For several cases in which some of the authors of this article were involved in the mediation, the aggregate damages estimates provided by plaintiffs and their experts at mediation matched the estimates provided in the motion for final approval of the settlement. In other cases, the values provided in the motion for final approval of the settlement were lower than the highest aggregate damages estimate provided by plaintiffs at mediation, including situations in which the value included in the motion for final approval of the settlement was substantially lower than the highest value plaintiffs and their experts provided at mediation.
- ⁵ Ranges of aggregate damages estimates provided in motions for final approval of the settlement typically reflect alternative assumptions with respect to class period and per-share inflation (e.g., accounting for defendants’ loss causation arguments). The methods, models, and assumptions underlying such damages estimates likely vary by case and by the experts selected by plaintiffs’ counsel to conduct the analysis. The use of standardized plaintiff-style estimates of aggregate damages in this study avoids such issues.
- ⁶ The prior Cornerstone Research study reported a median Approved Claims Rate of 58.2% using Plaintiff Estimates of aggregate damages. Although we have not hand-collected Plaintiff Estimates for the full sample period of 2015 to 2024, data on Plaintiff Estimates are available from the Stanford Securities Litigation Analytics (SSLA) database. Using data from SSLA, there are 334 Rule 10b-5 settlements with available Plaintiff Estimates, and the median Approved Claims Rate is 62.6%.
- ⁷ The claims administrator declaration usually includes recognized loss amounts for valid claims submitted by the court-approved deadline for claims submission (timely claims) and recognized loss amounts for valid claims submitted after the court-approved deadline for claims submission (late claims). The analysis in this study includes the total recognized losses for timely claims and late claims, regardless of whether the court elected to include late claims in the settlement distribution.
- ⁸ Securities Class Action Settlements 2025 Review and Analysis, Cornerstone Research (2026), <https://www.cornerstone.com/wp-content/uploads/2026/02/Securities-Class-Action-Settlements-2025-Review-and-Analysis.pdf>.
- ⁹ The sample in this study was constructed as follows. First, 801 cases that allege Rule 10b-5, Section 11, and/or Section 12(a)(2) claims brought by purchasers of a corporation’s common stock/ADR/ADS with settlement hearing dates between January 1, 2015, and December 31, 2024, were identified based on data obtained from Securities Class Action Services, LLC, a wholly-owned subsidiary of ISS (the data are available on a subscription basis—for further details see <https://www.issgovernance.com/solutions/securities-class-action-services>). Cases with alleged classes of only bondholders, preferred stockholders, etc.; cases that allege fraudulent deflation in price; and mergers and acquisitions cases are excluded. Second, 94 cases that did not include Rule 10b-5 claims were excluded to arrive at 707 cases. Third, 118 cases with Section 11 or Section 12 allegations were excluded to arrive at 589 cases. Fourth, 85 cases where securities other than common stock were at issue (e.g., preferred stock, corporate bonds, options) were excluded to arrive at 504 cases. Fifth, 151 cases with no reported total recognized losses were excluded to arrive at 353 cases.
- ¹⁰ For the 353 cases in this study, the median rate of Approved Claims to Plaintiff Estimates (as obtained from SSLA) was 62.6%.

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