

CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

Cornerstone Research Report: Total Value of Settlements in Accounting-Related Securities Class Actions Rises in 2022

Los Angeles—The total value of settlements in securities class actions involving accounting allegations grew substantially in 2022, spurred by an increase in settlement volume and amounts. The report, *Accounting Class Action Filings and Settlements—2022 Review and Analysis*, also found a slight year-over-year increase in the number of accounting-related case filings, although the volume was still well below the historical average.

Accounting Case Settlements

The total value of accounting case settlements grew by more than 67% in 2022 to \$1.4 billion, up from \$817 million the previous year. Key contributors to the significant jump in total settlement value were an increase in the average settlement amount to \$31.7 million in 2022 from \$24.7 million in 2021, coupled with a 30% year-over-year increase in the number of settled cases to 43 from 33 the prior year.

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The median value of settled accounting cases also nearly doubled from the previous year to \$15.5 million. The 91% year-over-year increase—the biggest jump since 2012—indicates that accounting settlements were a key driver of the 46% increase in the median value of all securities class action settlements, as discussed in *Securities Class Action Settlements—2022 Review and Analysis*.

“Last year’s near record increase in the median settlement amount reflects a broad shift in the size of accounting case settlements,” said Laura Simmons, a report coauthor and a Cornerstone Research senior advisor. “This is a function of both unusually large issuer defendants in accounting cases settled in 2022, as well as an increase in the proxy for potential shareholder losses.”

Additional settlement trends:

Cornerstone Research Report: Total Value of Settlements in Accounting-Related Securities Class Actions Rises in 2022, continued

- The median pre-disclosure market capitalization of issuer defendants in accounting cases settled in 2022 increased by 111% from the prior year to almost \$4 billion, nearly three times the average annual median for 2013–2021 and more than 85% greater than any year in the last nine.
- For financial statement restatement cases, median settlements in relation to “simplified tiered damages”—the proxy for potential shareholder losses used in the report—nearly doubled in 2022 over the median for the prior nine years and involved relatively long class periods (median of 4.4 years).
- Accounting cases settled in 2022 took longer to settle than they have in recent years. The average time to settlement was 3.7 years in 2022, compared to 3.2 years in 2021.
- The number of mega accounting case settlements—those valued at \$100 million or greater—also played a role in the increase, growing to three in 2022 from just one the previous year.

