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2024 Mid-Year D&O Databox™ Report

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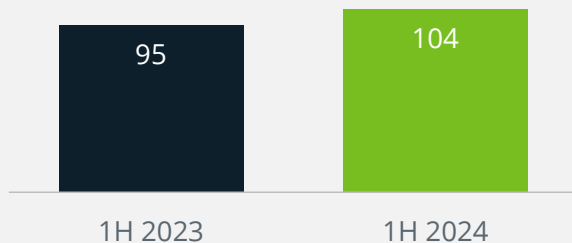
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Woodruff Sawyer is pleased to present the latest information concerning securities litigation filed against public companies in the United States. The information in this report comes from Databox™ as of June 30, 2024. Databox tracks securities class action litigation filed against public company issuers and their directors and officers.

Securities Class Action Filing Activity: An Increase in Filings

Filing Activity 1H 2023 vs. 1H 2024 A 10% Increase

Filings in the first half of 2024 have exceeded filings in the same period last year.

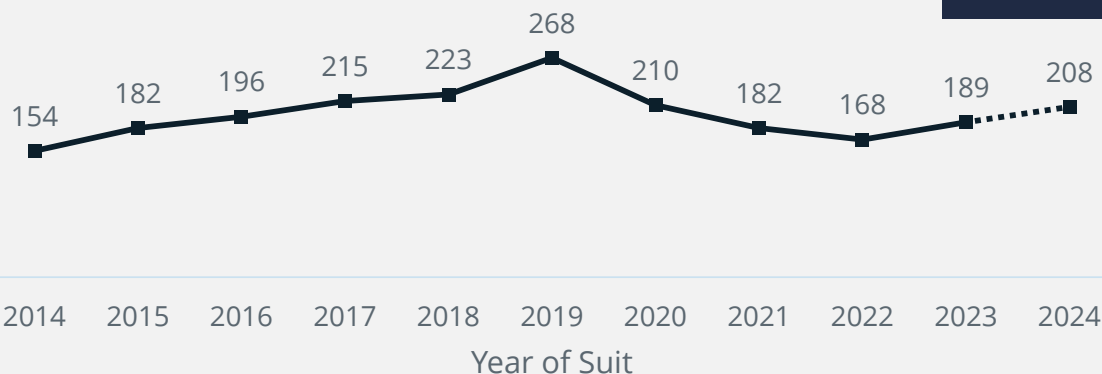


Projected Number of Cases for 2024: **208**
A **10% increase** from 2023*

*189 cases filed in 2023

This year is on course to be another year of brisk filing activity for securities class actions: the total annual filings could exceed 200 cases (as compared to 189 cases in 2023). While the IPO and SPAC markets fueled the increases in securities class action filings from 2019 to 2021, no one can blame the increased rate of filings in 1H 2024 on capital markets given how sluggish the market has been since 2022.

SCAs Filed

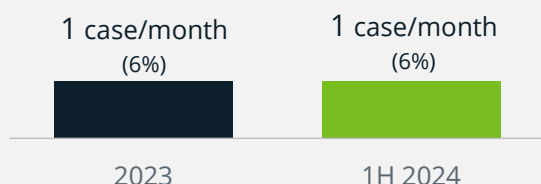


Differences in Filing Activity Compared to Last Year

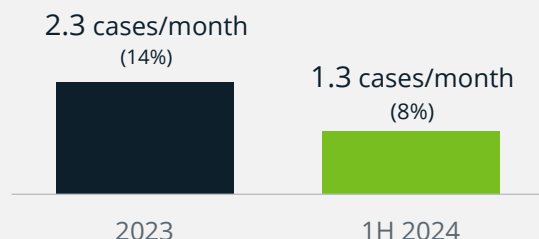
While the overall number for filings is up, except for SCA cases related to COVID-19, filing activity in certain areas of interest we have been following has remained steady or slowed down in 1H 2024. Consider the following in each category:

Slowdown in SCA Filings in Certain Categories

IPO Companies (Section 11 Cases)



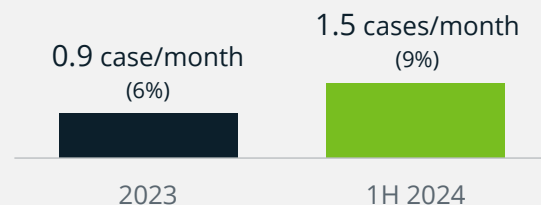
De-SPACs



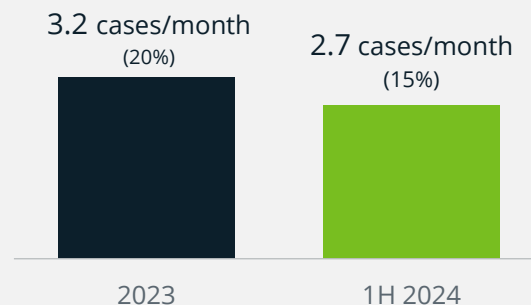
- **IPO Companies:** While there have only been six Section 11 cases filed against IPO companies in 1H 2024, an additional 11 companies that went public in the last three years were sued for violation of Section 10b-5 under the 1934 Exchange Act. IPO companies are still at risk for lawsuits even if the suit is not related to the IPO. In fact, 16% of all suits filed in 1H 2024 were against companies that went public in the last three years.

- **De-SPAC Companies:** Only two of the eight cases against recently de-SPACed companies included claims related to the de-SPAC merger. All eight companies had Section 10b-5 claims and were sued within three years of the de-SPAC merger. These newly de-SPACed companies are like IPO companies in their exposure to operating under the scrutiny of their larger shareholder base and the investment community.

COVID-19

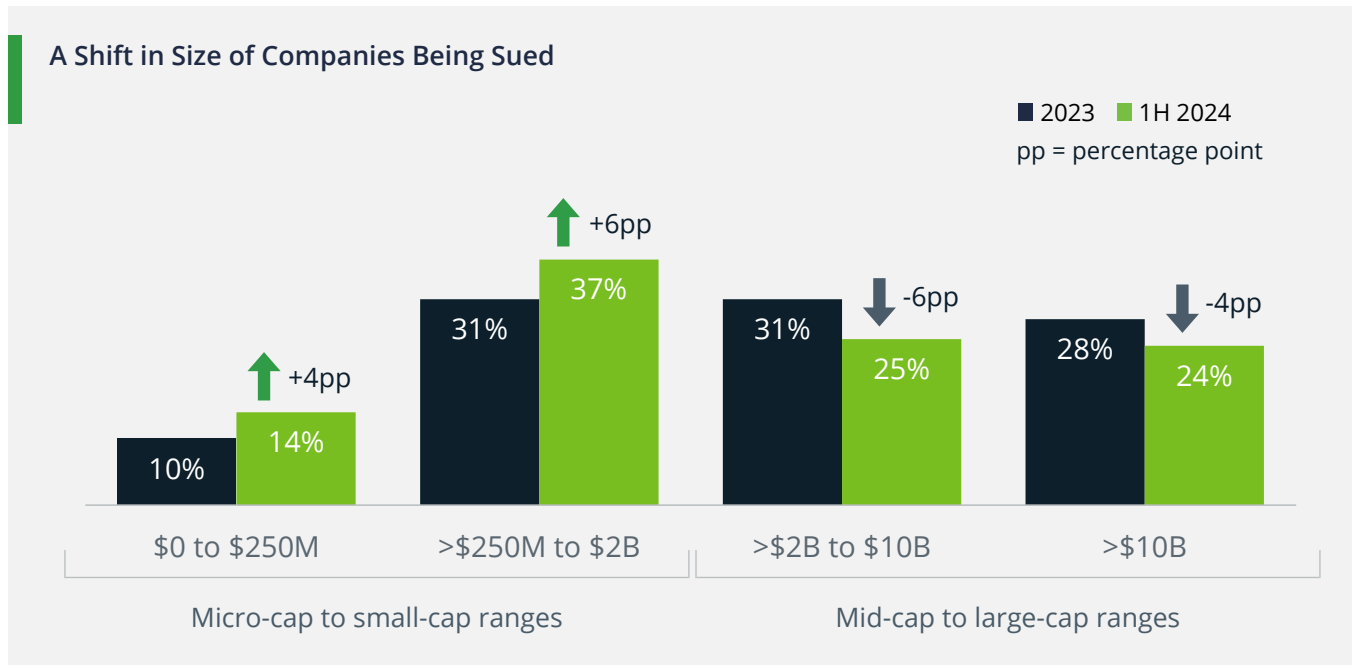


International HQs



- **COVID-19:** Four of the nine companies sued—or 44%—were in the biotechnology industry. As we move further away from the height of the pandemic, fewer COVID-19-related suits are being filed annually.
- **International HQ:** Three of the 14 internationally headquartered companies sued were based in China (21%) as compared to 10 of the 38 internationally headquartered companies sued in 2023 (26%). Companies headquartered in the following countries were also sued: Canada, Germany, Israel, Japan, Singapore, Sweden, United Arab Emirates, and United Kingdom.

Movements in the Size of Companies Sued in 1H 2024: Plaintiffs Focus on Smaller Companies



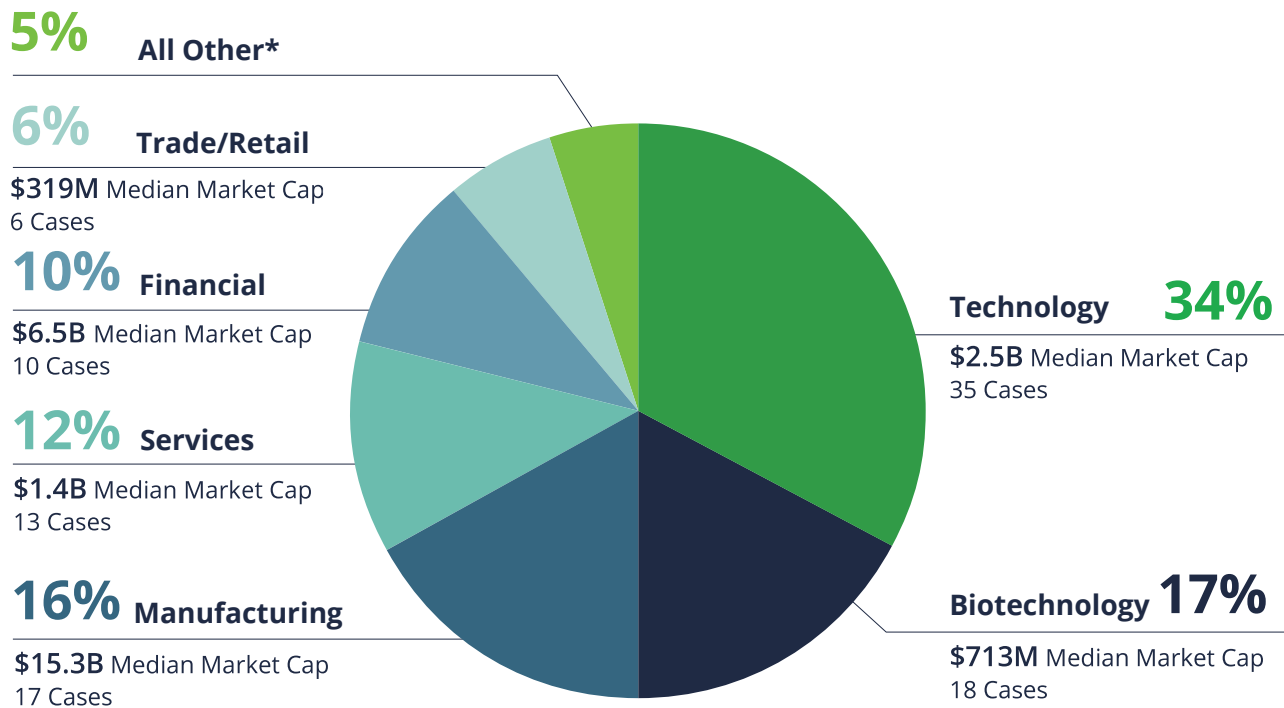
While there has been an overall decrease in companies with market caps over \$2B being sued, larger brand-name companies are still being sued. The following are a sample of these companies:

Biotechnology	Financial
Manufacturing	Services
Technology	Trade/Retail

Technology Is #1 in Filings, Manufacturing Leads in Market Cap

The top three industries sued in 1H 2024 have not changed from 2023. However, biotechnology has moved up to second place, with manufacturing moving down to third place as of 1H 2024. Half of the cases were filed against technology and biotechnology companies. The following is a breakdown of filings by industry and the median market cap of companies sued in each industry.

SCA Filings by Industry (1H 2024)



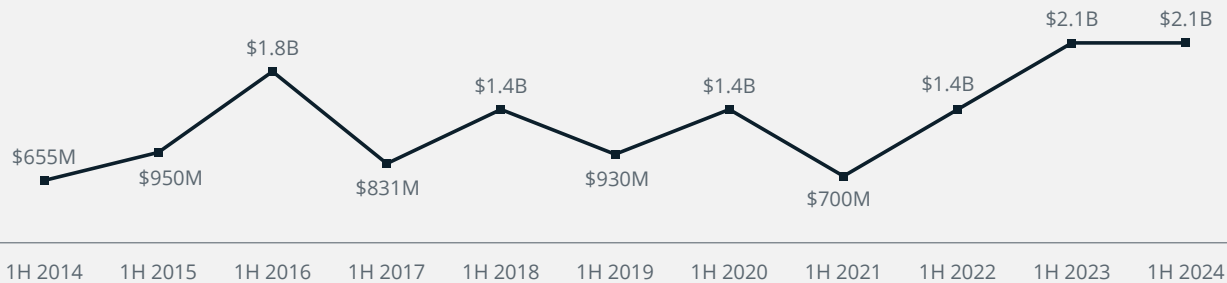
*All Other = Energy, Mining, and Transportation

The manufacturing industry has the highest median market cap. Ten of the 17 companies sued in that category have a market cap of over \$10 billion (59%). The technology industry, while in top place for number of filings, comprised of only around one-third of companies with a market cap of over \$10 billion (29%).

Large Settlements Dominated 1H 2024

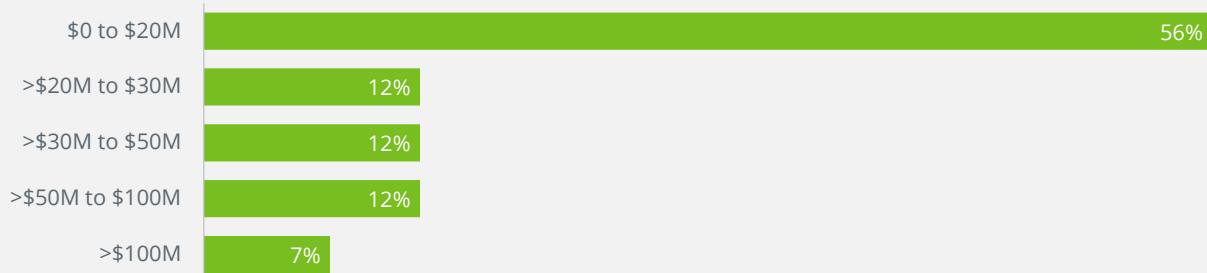
With 40 settlements reached in 1H 2024 for a total of \$2.1 billion, 2024 is on track to be another expensive year for defendants (and their insurers). The following shows settlement dollars for the first six months of the last 10 years. Currently, 2024 is competing with 2023 in breaking the record for dollars paid out.

\$ Paid Out in First Six Months of Each Settlement Year
(1H 2014 to 1H 2024 – Excluding \$1B+ Settlements)

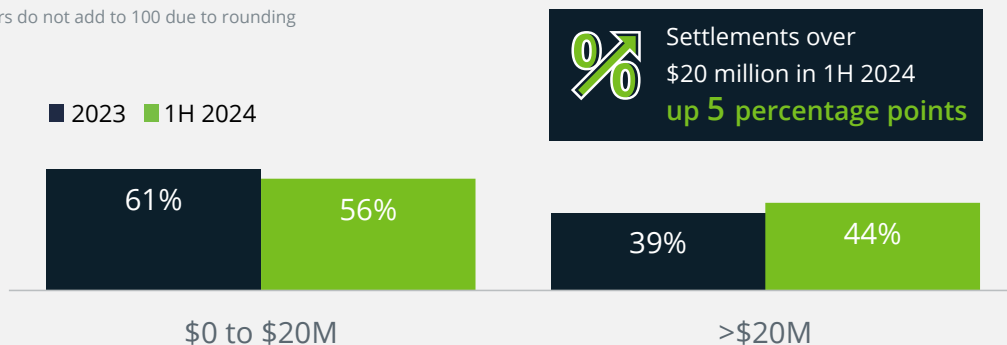


The breakdown between settlements by range is shown below. In the last decade, total percentage of settlements up to \$20 million typically hovered around 70% annually. This changed in 2023, and settlements over \$20 million in 1H 2024 have now exceeded 2023 by 5 percentage points (see chart below).

Settlement Ranges in 1H 2024



Note: Numbers do not add to 100 due to rounding



Settlements Over \$100M Comprised Over One-Third of All Settlement Dollars

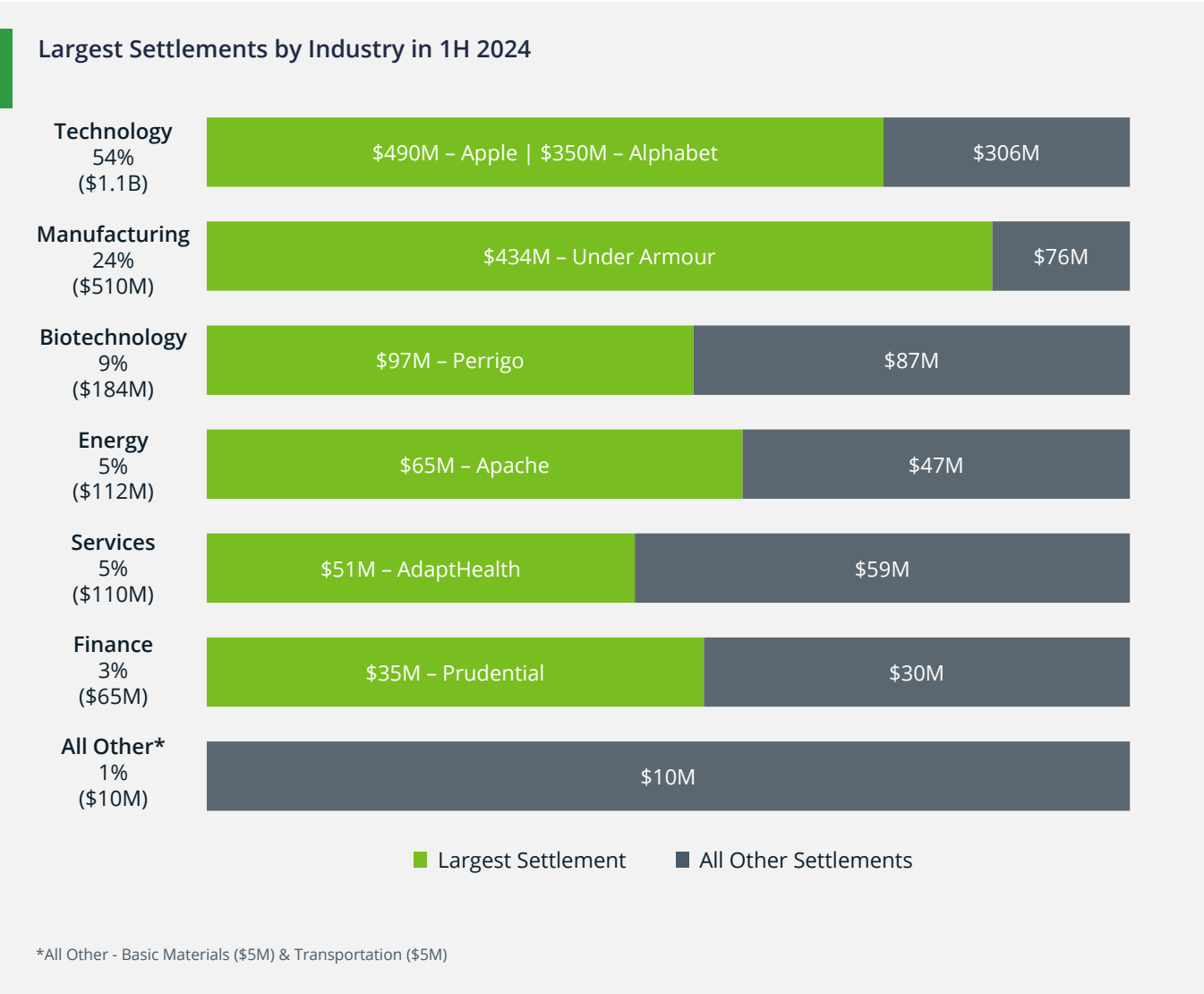
Large settlements continue to be a trend in 2024, as had been the case in 2023. As shown in the top 10 settlements chart below, the top three settlements in 1H 2024 comprised \$1.3 billion of the \$2.1 billion in settlement dollars to be paid out (60%), with eight of the 10 cases settling for over \$50 million. The top 10 settlements involved cases with various allegations of revenue growth problems, or cybersecurity, anti-trust, environmental, or product issues.

Top 10 Settlements in 1H 2024 (Average Time to Settlement Is 4.8 Years)

Entity	Suit Year	Industry	Amount	Case Notes
Apple Inc.	2019	Technology	\$490M	Misrepresentation of its revenue growth in China that was impacted by the US-China trade war, Chinese competition, and users not upgrading their phones
Under Armour, Inc.	2017	Manufacturing	\$434M	Misrepresentation of its projected growth for 2016 and the impact that the bankruptcy of Sports Authority would have on its revenues (Note: Majority of settlement to be funded by company)
Alphabet Inc.	2018	Technology	\$350M	Cybersecurity flaw giving third-party app developers access to the private data of 500,000 users
Perrigo Company plc	2016	Biotechnology	\$97M	Misrepresentations about growth prospects pertaining to its acquisition of Omega Pharma N.V.
Qualcomm Incorporated	2017	Technology	\$75M	Allegations of anti-competitive behavior
Apache Corporation	2022	Energy	\$65M	Misrepresentation of revenue growth. \$3B write-down of an exploration project that was being discontinued
Okta, Inc.	2022	Technology	\$60M	Cybersecurity breach that impacted both the company and 15,000 customers
AdaptHealth Corp.	2021	Services	\$51M	Misleading info about revenue growth and accounting issues. Former CEO is contributing \$1M of personal funds that is not covered by insurance
QuantumScape Corporation (De-SPAC)	2021	Technology	\$47.5M	Overstated its success in the development of solid-state batteries for EVs
Cabot Oil & Gas Corporation	2020	Energy	\$40M	Misrepresentation of its environmental controls regarding its fracking operations

Technology and Manufacturing Companies Paid Out the Biggest Settlement Dollars

A further review of settlements below reveals which companies paid out the largest settlements by industry in 1H 2024. Settlements by companies in the technology and manufacturing industries comprised 78% of total settlements dollars (\$1.7B).



The impact of these larger settlements is seen in the average and median set forth below for 1H 2024 as compared to 2023 and the previous 10 years. While we expect to see these averages and medians drop as the second half of the year unfolds, large dollar settlements are a trend that has not gone away in 2024. With fewer IPO and de-SPAC companies entering the market, suits against established companies with large market caps are now resulting in large settlement dollars.

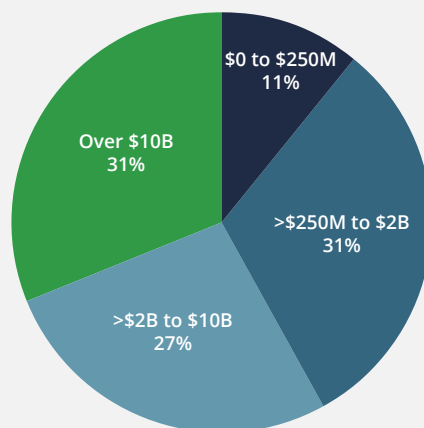
Average & Median Settlement Costs Rise Significantly in 1H 2024

	10 Years (2014–2023)	2023	1H 2024
Settlement \$	\$25B	\$3.4B	\$2.1B
Average	\$30M	\$37M	\$52M
Median	\$9M	\$13M	\$19M
75 th Percentile	\$24M	\$37M	\$36M

Note: Excluding settlements \$1B and higher

As we enter the second half of 2024, there is a high likelihood of a robust number of suits being filed, with more large dollar settlements to follow. There are currently approximately 500 active suits. As we stated previously in our [year-end report for 2023](#) and as excerpted below, the even distribution of open cases between small to large market cap companies indicates that there is still ground to cover by the plaintiffs to extract high-dollar settlements out of D&O defendants. We saw a record-breaking number of settlements dollars paid out in 2023, and 2024 is giving 2023 a run for its money.

Distribution of Open Cases by Market Cap as of 12/31/2023



For mid- to large-cap companies (>\$2B), the total percentage of open cases has risen to 58%, a 3 percentage-point increase from 2022.

How Data Trends Affect D&O Insurance

What does this mean for D&O insurance pricing? Rates continue to be competitive, especially compared to the hard market of recent years. However, the large settlements enumerated in this report suggest that the buyers may be living on borrowed time when it comes to favorable rates. We will take a deep dive into what to expect in 2025 when we release our annual *Looking Ahead Guide to D&O Insurance* later this year.

Mark your calendars for our *Looking Ahead* webinar on Tuesday, September 17 at 1pm ET/10am PT.

Stay Informed

Shareholder class action trends, SEC enforcement actions, corporate governance, and the issues impacting the personal liability of your directors and officers. Priya Huskins addresses it all in the D&O Notebook.



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Additional Resources



D&O Notebook

D&O Insurance, Corporate Governance, IPOs, Board Issues



D&O Looking Ahead 2024

(2025 Guide Coming in September)



Guide to D&O Insurance for IPOs and Direct Listings



SPAC Notebook

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