Gallagher

D&O Databox 2025 Year-End Report

Securities Class Action Filings Dropped, Settlement Dollars Remain High

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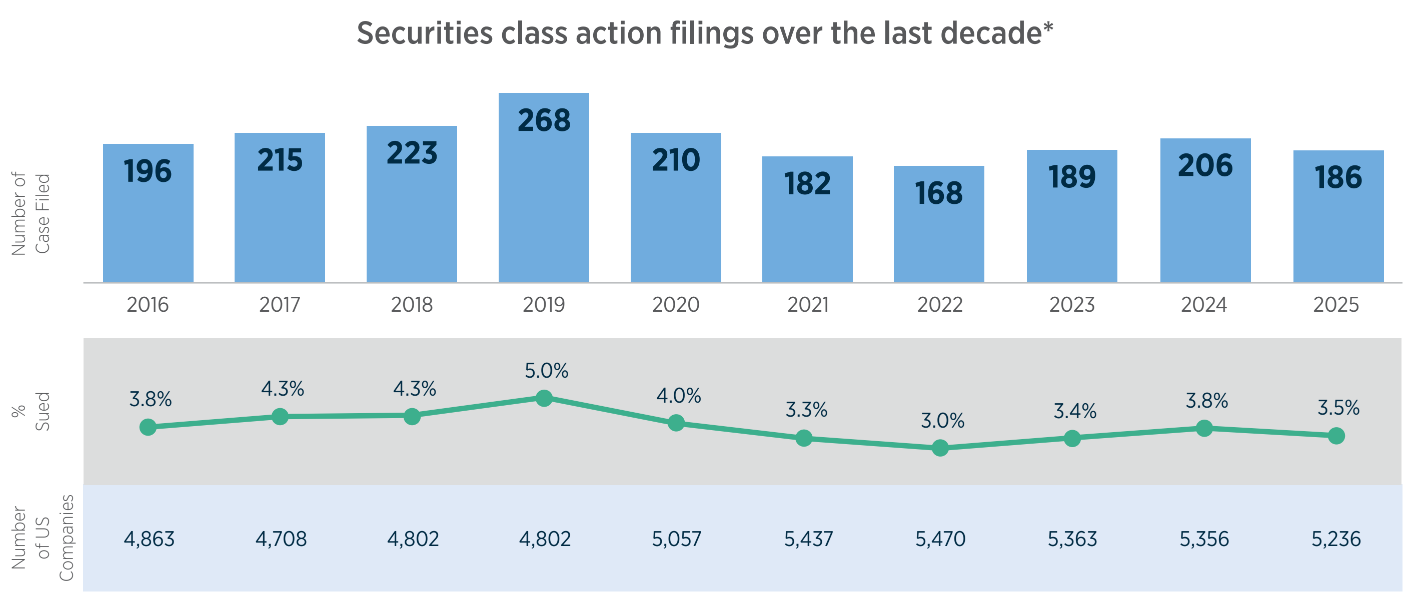
The D&O Databox Year-End Report provides insights about securities class action activities, developments and historical trends — sourced from Databox, our proprietary database and a leading resource for securities class action data over the last 30-plus years.

The news was mixed for securities class action (SCA) activity in 2025. The modest slowdown in SCA filing activity was good news. However, settlement activity was basically a repeat of 2024, where large dollar settlements were still a prominent feature, amounting to another year of over $3 billion in total being paid out.

Securities class action filings: A decrease in activity

In 2025, 186 securities class action cases were filed. While this represents a 10% decrease from total filings in 2024 of 206 cases, 2025 filings equaled the five-year average of 186 cases from 2021 to 2025. Below is a breakdown of total filings annually over the past decade.



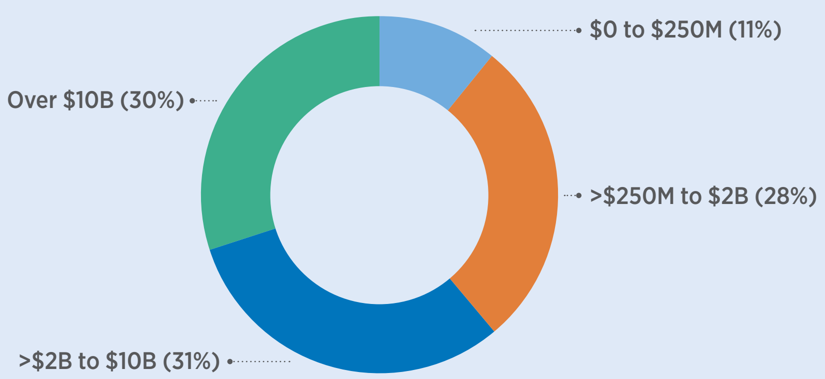
*Note: Does not include M&A or cryptocurrency lawsuits.

Let's take a further look at the composition of the companies sued.

Filings by size and public company age

The majority of the companies sued were over $2 billion in market capitalization, as shown in the following charts:

2025 Filings by market cap

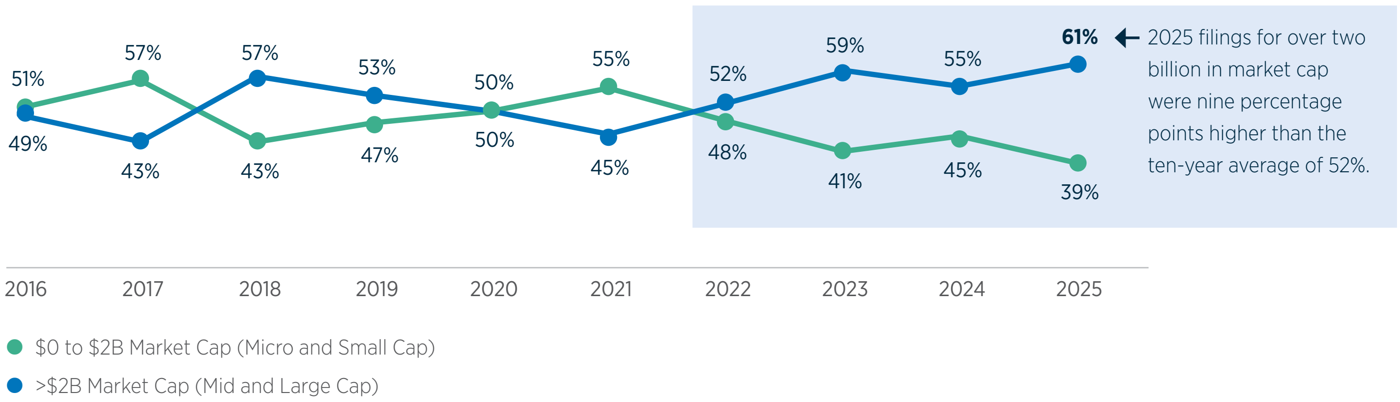


Filings by market cap: 2024 vs 2025

Filing Year	Micro to Small Cap ($0 to $2B)	Mid to Large Cap (>$2B)
2024	45%	55%
2025	39%	61%

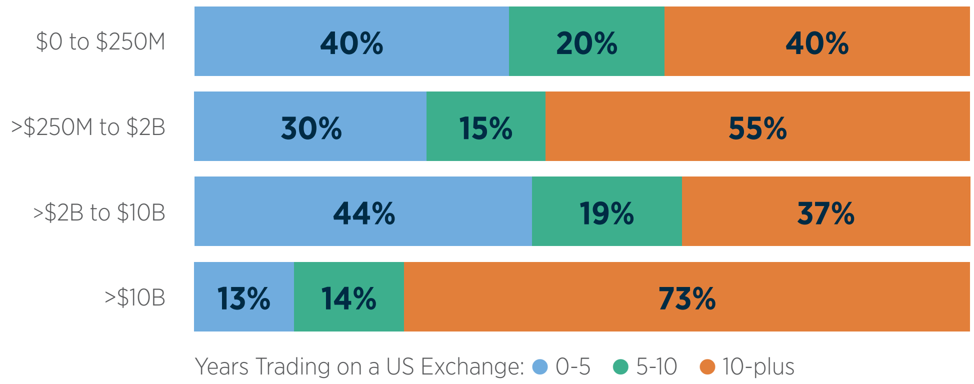
Since 2022, filings against companies with over $2 billion in market cap have accounted for more than half of the yearly filings, culminating in a decade high in 2025. This trend is shown in the chart below.

Filings by market cap over the last decade



A closer review of public company tenure on US exchanges reveals that an average of 51% of the companies sued had over ten years of experience as a mature, public company. The breakdown by market capitalization for trading periods is illustrated below:

Percent of suits by size and duration as a US public company



Average for each time period for all market caps

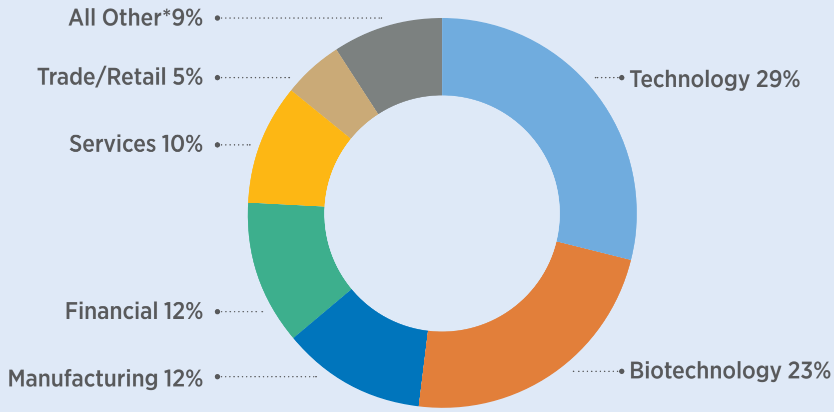
- 32% for 0-5 years
- 15% for >5-10 years
- 51% for >10 years

It is also interesting to note that 30% to 44% of companies with $10 billion or less in market cap that were sued in 2025 were sued in the first five years of being a public company. The rate at which these companies are sued drops significantly in the following five- to ten-year period.

Filings by industry

The companies sued in 2025 operated in the industries outlined in the following chart:

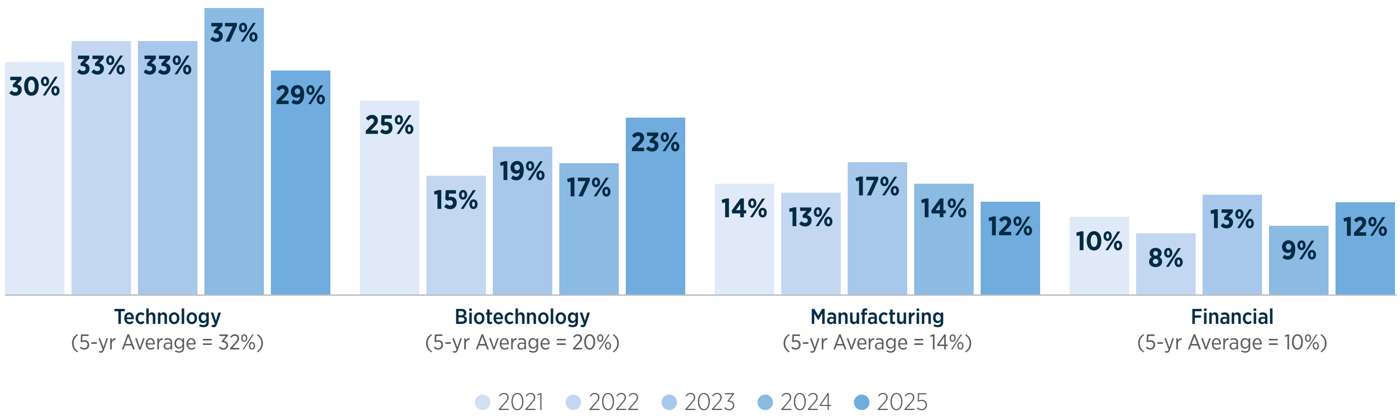
2025 Securities class actions by industry



***All Other:**
Construction (2%)
Energy (2%)
Mining (3%) and
Transportation (2%)

The industries that showed the most movement were the top two industries — technology and biotechnology. Technology decreased by eight percentage points compared to 2024, and biotechnology increased by six percentage points.

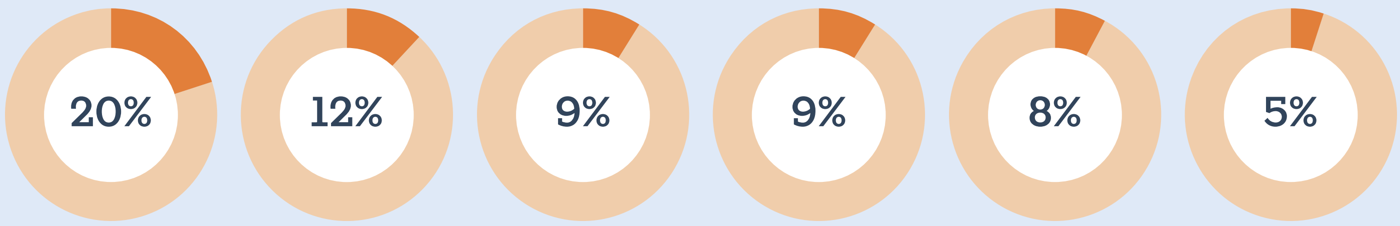
Top four industries sued: A five-year lookback (2021 to 2025)



Why companies were sued: Earnings statements are key

The foremost reason for companies being sued is related to their earnings announcements and financial disclosures. In 2025, 54% of the suits involved allegations that companies had made misrepresentations or misleading statements made about their revenue growth. In addition to announcing financial results that didn't meet the expectations of shareholders and analysts, 38% of these companies lowered their guidance forecasts (and another 5% suspended or withdrew their guidance).

Here is a survey of additional points of contention in the securities class action complaints filed in 2025:



- 20% — Misrepresentations or misleading statements about its operations, products and/or services
- 12% — Clinical trial issues
- 9% — Accounting issues
- 9% — Merger and acquisition misrepresentations alleged while in a post-integration period
- 8% — Liquidity issues
- 5% — Regulatory issues due to a government investigation

This report has tracked key categories of litigation in prior years and continues to do so, as shown in the chart below:

Area of Concern	% of Filings in 2024	% of Filings in 2025	
Artificial Intelligence	7%	6%	The development and integration of AI into a company's products and services are now an intense area of interest that many companies deem critical to their operations and revenue growth. Disclosures can be a minefield if not handled properly. The widespread adoption of AI will inevitably generate more SCA lawsuits.
COVID-19	9%	2%	While the pandemic was no longer an international public health emergency as of mid-2023, a few companies were still dealing with the pandemic's effects on their businesses in 2025.
De-SPACs	9%	8%	The peak of SPAC IPOs occurred in 2021 (613 IPOs). The follow-on journey into de-SPAC mergers resulted in approximately 125 lawsuits against the de-SPACs in the last five years. While SCA filing activity has slowed down in the last two years, there has been a marked increase in SPAC IPOs in 2025, from 57 in 2024 to 143 in 2025 — a 151% increase. This increase in SPACs will likely continue to feed into the steady stream of lawsuits against de-SPACs that has been occurring over the last five years.
IPO — Section 11 Claims	7%	7%	While the pace of companies going public continues to lag with only 5% of the 2025 IPOs in the $1 billion-plus range (versus 51% in 2021), the pace of SCA filings remains steady compared to 2024.

Is tariff-related litigation an emerging trend?

As companies continue to comprehend the possible impacts of tariff policies on their businesses, there were a few companies in which tariffs were an element of SCA lawsuits in 2025:

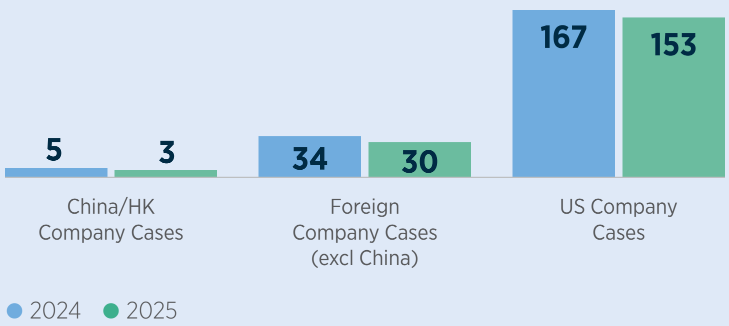
CarMax, Inc.	Dow Inc.	iRobot Corp.
Alleged misrepresentation of revenue growth when a bump-up in sales earlier in the year was due to consumers purchasing cars ahead of anticipated tariffs.	Alleged misrepresentation of revenue growth and its ability to sustain dividend rates for its investors as a result of recent trade and tariff uncertainties.	Alleged misrepresentation of revenue growth and liquidity issues after a failed acquisition of the company by Amazon. The company attributed disappointing quarterly results to waning consumer demand, competition, macroeconomic conditions and tariff policies.

We have seen SCA lawsuits in the past in which macroeconomic conditions have been cited as the cause of less-than-stellar financial results. However, the mention of tariffs is a new phenomenon that may persist in 2026 lawsuits.

Foreign companies were sued as well

There continued to be a steady stream of filings against companies headquartered outside of the US.

SCA filings: Where companies were headquartered



13 foreign locations

(Based on the country where they are headquartered)

- Australia
- Canada
- China/Hong Kong
- Denmark
- Ireland
- Israel
- Netherlands
- Singapore
- South Korea
- Sweden
- Switzerland
- United Kingdom

Foreign company suits in 2025: 18%
(as compared to 19% in 2024)

High-profile companies continue to be recipients of SCAs

High-profile, brand-name companies were once again named as defendants in SCA lawsuits in 2025. At least 12% of the 2025 securities class actions fell into this category (with foreign companies noted):

- AMC Entertainment Holdings, Inc.
- Apple Inc.
- Avis Budget Group, Inc.
- CarMax, Inc.
- Coupang, Inc. (South Korea)
- Crocs, Inc.
- Dow Inc.
- Grocery Outlet Holding Corp.
- Klarna Group plc (UK)
- Krispy Kreme, Inc.
- Merck & Co. Inc.
- Novo Nordisk A/S (Denmark)
- Petco Health & Wellness Company, Inc.
- Polestar Automotive Holding UK plc (Sweden)
- Reddit, Inc.
- Six Flags Entertainment Corporation
- Snap, Inc.
- Sprouts Farmers Market, Inc.
- StubHub Holdings, Inc.
- Target Corporation
- Tesla Corporation
- Walgreens Boots Alliance, Inc.

Key takeaways from 2025 filings

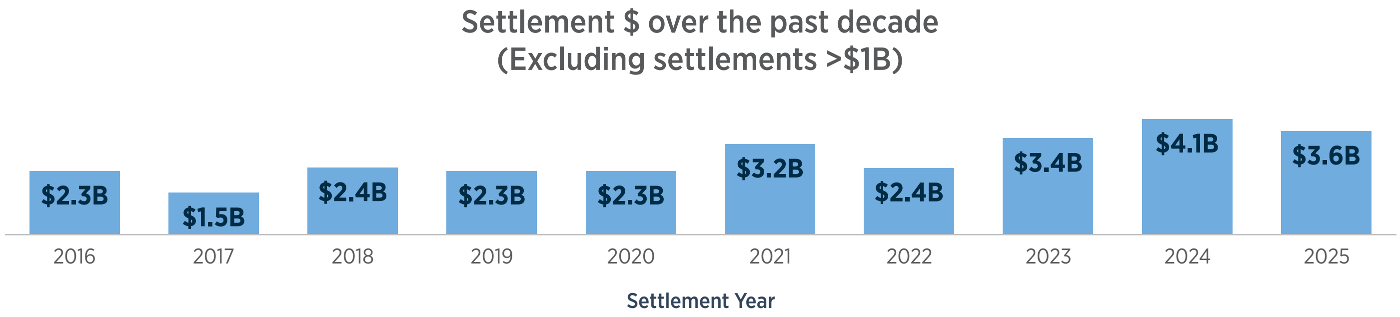
To summarize the 2025 filings, here are a few features to note:

- A majority of filings involved mature, experienced companies with over $2 billion in market capitalization (mid- to large-cap).
- Some high-profile, brand-name companies were also targeted.
- De-SPACs continue to be a target for lawsuits in their first five years of being a public company.
- IPO companies are being sued at a steady but moderate rate.
- Artificial intelligence concerns are continuing to show up in complaints, but despite the rapid development of AI, this hasn't yet become an overwhelming trend.
- Tariff concerns may become an emerging trend in 2026.

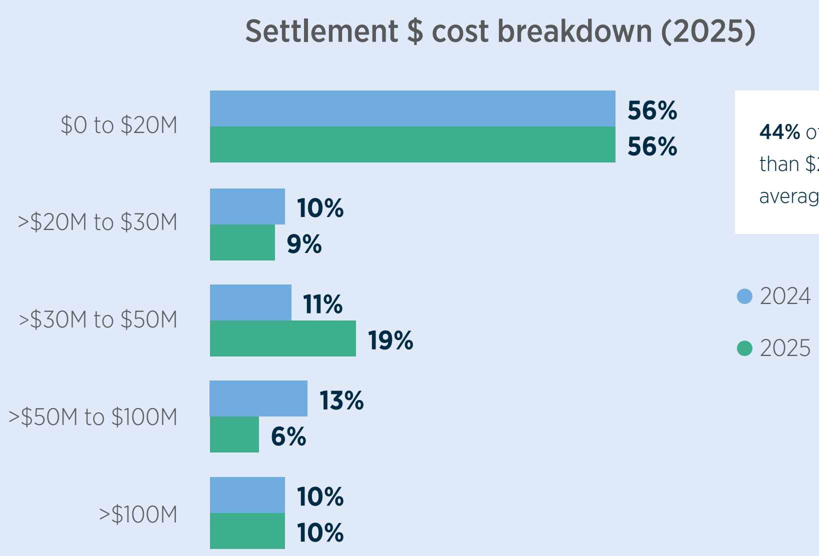
To sum it up, the rate of filings in 2025 reflects a world that is business as usual for the plaintiffs' bar.

2025 settlement dollars: another expensive year for defendants

As reported in last year's report on 2024 activity, total settlement dollars (excluding billion-dollar and over settlements) reached a record-breaking high of $4.1 billion. While 2025 didn't surpass 2024 in total settlement dollars, it was the second-highest year ever, with a total of $3.6 billion paid out (consisting of 80 settlements). A 10-year lookback of annual aggregate cash settlement dollars is shown below:



High-dollar settlements for certain individual cases continue to be a major component of the total dollars paid out. The percentage of settlements over $20 million equaled that of 2024, as indicated in the following chart:



44% of the settlements in 2025 were greater than $20 million, exceeding the ten-year average of **32%**.

The outcome of such activity has resulted in no change in the median settlement amount in 2025 as compared to 2024. The median settlement amount of $16 million in 2025 is 45% higher than the ten-year average. Additionally, there was only a 7% drop in severity when comparing the 75th percentiles of 2025 to 2024 (which in 2025 was 43% higher than the ten-year average).

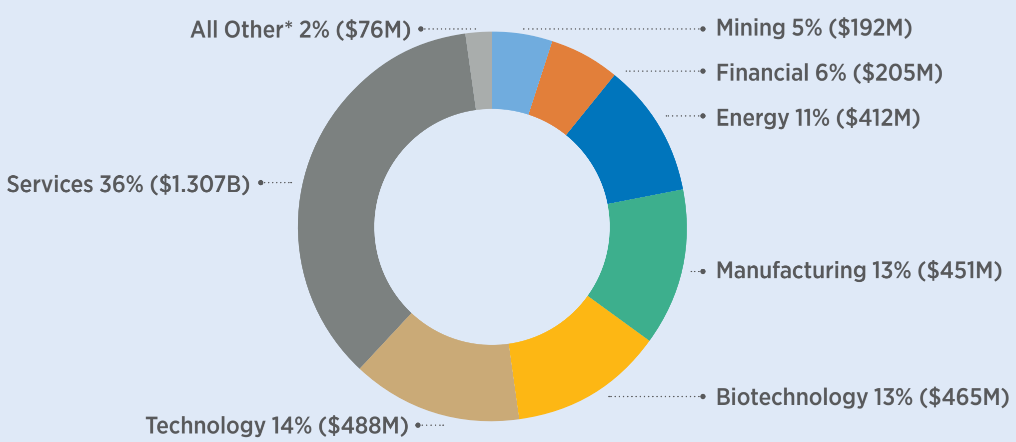
Ten-year settlement overview and recent year comparisons

	10 Years (2016 to 2025)	2024	2025
Settlement $	$27B	$4.1B	$3.6B
Average	$33M	$52M	$45M
Median	$11M	$16M	$16M
75th Percentile	$28M	$43M	$40M

In 2025, the majority of the settlement dollars were paid out by companies in the services industry, while technology companies' settlement dollars dropped to second place from 2024. Indeed, settlement dollars from technology companies dropped significantly, from $2 billion in 2024 to just $488 million in 2025.

The breakdown of settlement dollars by industry is shown below:

All settlements in 2025 by industry



***All Other:**
Trade/Retail and Transportation ($76M)

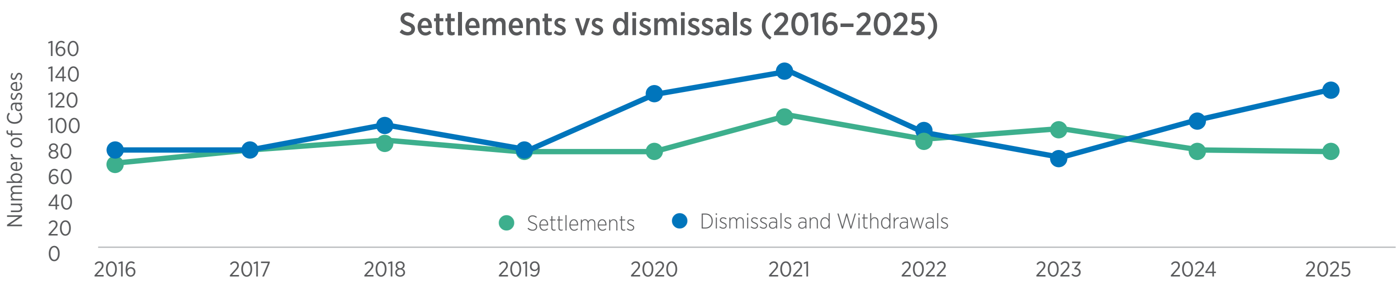
The bulk of the settlement dollars in the services industry was paid out by one company and was the largest settlement in 2025, as indicated in the following list of 2025's top 10 settlements:

Top 10 settlements in 2025
Average time to settlement: 5.3 years

Entity	Suit Year	Industry (Market Cap)	Cash Settlement Amount	Case Allegations
Didi Global, Inc.	2021	Services ($68B)	$740M	Failure to disclose at IPO data security concerns by Chinese regulators, which led to a delay in their IPO
Rivian Automotive, Inc.	2022	Manufacturing ($88B)	$250M	Misrepresentation at IPO of potential revenue growth and product pricing that led to short-term reputational damage
Celgene Corporation	2018	Biotechnology ($97B)	$239M	Clinical trial failure pertaining to a treatment for Crohn's disease that led to a $1.6B impairment charge, disappointing quarterly results and lowering of guidance for 2017
Fidelity National Information Services, Inc.	2023	Services ($80B)	$210M	Integration issues pertaining to their acquisition of Worldpay, Inc.. for $43B that led to a $17.6B impairment charge and a spin-off of the acquired company
Acadia Healthcare Company	2018	Services ($2B)	$179M	Misrepresentation of reputational growth pertaining to its UK healthcare facilities (included a Section 11 claim)
EQT Corporation	2019	Energy ($6B)	$167.5M	Misrepresentation of the benefits of acquiring Rice Energy, another natural gas producer, for $6.7B in Nov 2017, and post-merger integration issues
Turquoise Hill Resources Ltd.	2020	Mining ($59B)	$138.75M	Significant production delays and cost overruns in the commencement of mining operations
Alta Mesa Resources, Inc. (De-SPAC)	2019	Energy ($1B)	$115M	Misrepresentations made during and after the de-SPAC merger about revenue growth, operational capabilities and accounting matters
PG&E Corporation	2018	Energy ($26B)	$100M	Misleading statements about their safety practices ahead of deadly wildfires in the past decade
Wells Fargo and Company	2022	Financial ($158B)	$85M	Misrepresentation about its operations pertaining to diversity hiring practices that brought reputational harm to the company
Total:			**$2.2B**	

Settlements vs dismissals

Dismissals and withdrawals were noticeably up in 2025. There were 125 dismissals and withdrawals in 2025 compared to 100 in 2024. Over the last decade, the total number per annum of dismissals/withdrawals typically exceeded settlements (excluding years 2022 and 2023), as set forth below:



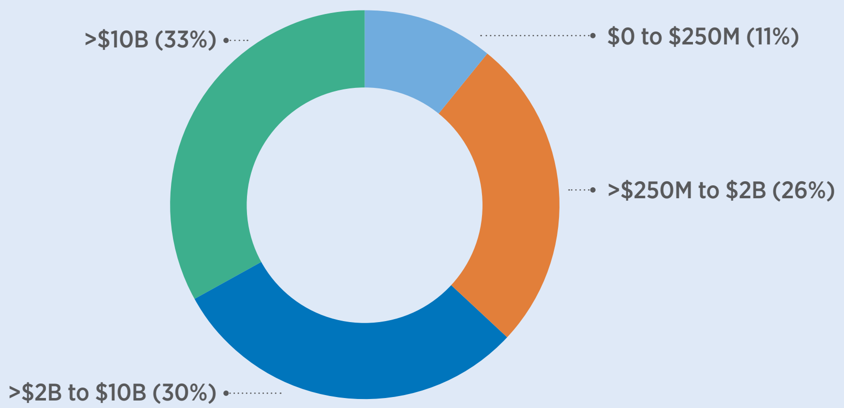
Year of Resolution			
Disposition	Five-year averages for the past decade		Ten-year average from 2016 to 2025
	2016 to 2020	2021 to 2025	
Settlements	80	91	85
Dismissals and Withdrawals	95	107	101

In the last five years, there have been modest increases in case closings due to dismissals/withdrawals in this defendant-friendly way (15% to 16% increases). While this is a positive factor in case outcomes, the percentage of large-dollar settlements over the last several years is likely to overshadow this fact for directors, officers and especially the insurance underwriters paying these settlements.

Looking ahead: Signs of more large settlement dollars to come?

As noted in our 2023 and 2024 reports, we do not expect the severity of cash settlements to moderate over time. Since 2023, large-dollar settlements of over $20 million have comprised an average of 42% of all settlements. This is a notable increase from the previous seven years of the past decade, which averaged 33% (2016 to 2022). Large claims settlements continued in 2025, and our review of open cases against mature companies of substantial size causes us to forecast more of the same in 2026.

Distribution of open cases by market cap



63%

of approximately 500 open cases were filed against companies over $2 billion in market cap — a five percentage point increase from 2024.

Want to stay on top of D&O litigation trends as they emerge? Be sure to subscribe to the D&O Notebook series for updates.

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