



Western Alliance Bank®



NEW FINDINGS

Expanded to Include Findings on Fraudulent Claims



2024 ANNUAL REPORT

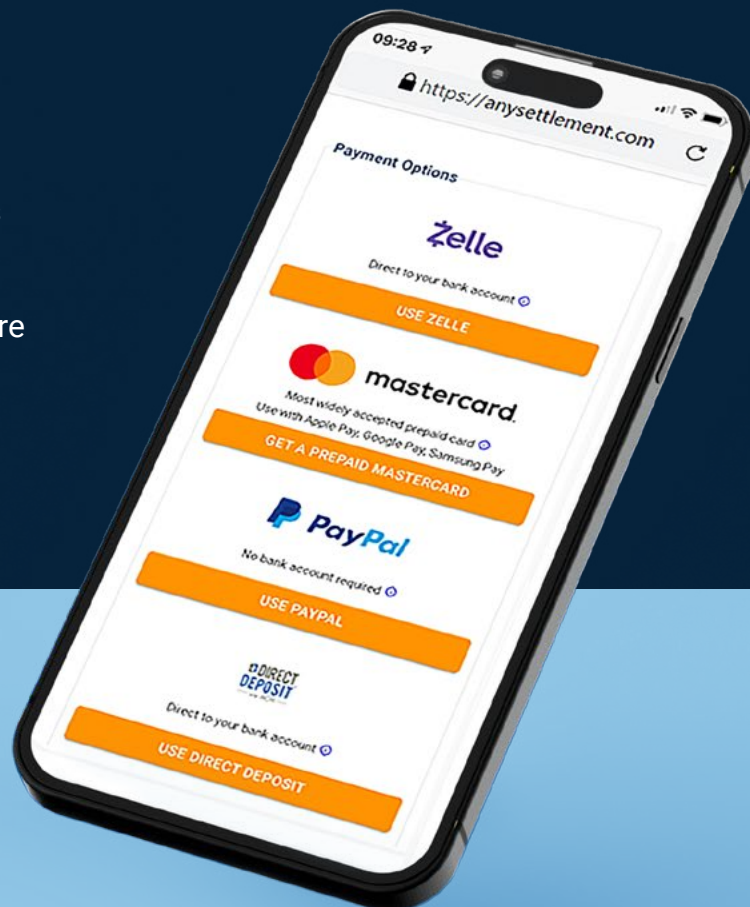
Digital Payments in Class Actions and Mass Torts

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Digital Payment Selection Rates Continue to Climb

Firms and Courts of All Types Are Driving Growth

Most Popular Digital Payment Methods



Welcome to the Second Annual Report on Digital Payments in Class Actions and Mass Torts.

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Digital Disbursements' large market share in class action and mass tort distributions allows its data to serve as a reasonable proxy for the industry.

Foreword

Welcome to the second annual report on Digital Payments in Class Actions and Mass Torts produced by Digital Disbursements and its parent, Western Alliance Bank.

The data for this retrospective report primarily comes from 597 class action and mass tort distributions awarded to Digital Disbursements by 24 different settlement administrators between 2019 and 2023. The number of distributions is more than double that of last year's report and represents the acceleration of the active transition away from check-only distributions to settlements that offer a menu of different payment options (i.e., a pay menu). Digital Disbursements' large market share allows its data to serve as a reasonable proxy for the industry.

We again examine important statistics relating to the digitization of settlement payments, and this year's report includes substantial findings relating to the exponential growth of fraudulent class action and mass tort claims, which increased by more than 4,000% from last year and more than 19,000% from 2021.

We are committed to the ongoing analysis of digital payments in class actions and mass torts, and we anticipate that our next report will cover approximately 1,000 settlements awarded to Digital Disbursements.

We again wish to acknowledge the important work performed by the Federal Trade Commission, which has followed developments in class action cases for more than a decade and published a groundbreaking payment and notice report in September 2019 analyzing data from 149 cases handled by seven different settlement administrators.

We hope you enjoy learning about these issues as much as we do. We, of course, welcome your feedback and suggestions for data to include in future reports.



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The explosion of fraudulent claims was one of the most significant developments in class actions and mass torts in 2023.

More than 80 million claims submitted in 2023 exhibited significant indicia of fraud. This is an increase of more than 19,000% since 2021.

Exponential Growth in Fraudulent Claims

Growth in Class Action and Mass Tort Claims With Significant Indicia of Fraud

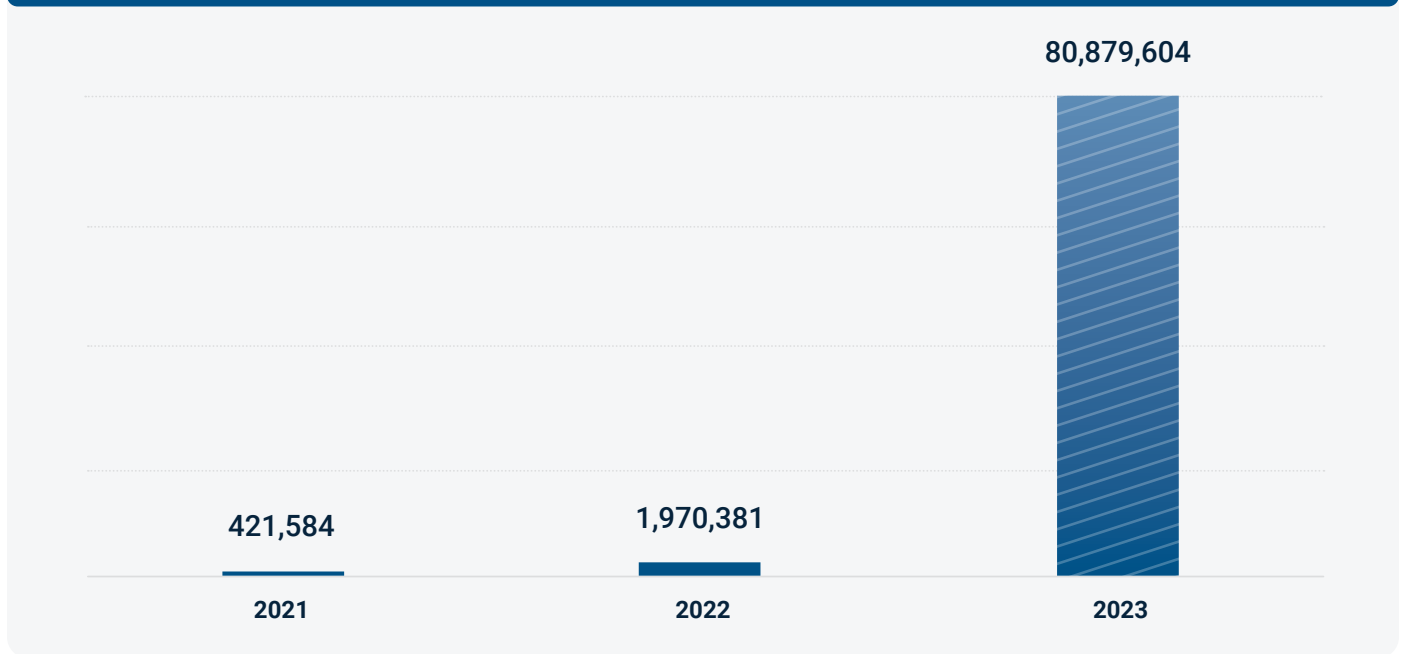


Figure 1: Growth in Claims with Significant Indicia of Fraud, 2021-2023

Fraudulent claims have always existed in class action and mass tort settlements, particularly in cases where claimants are not required to submit any proof of eligibility. The reason for this is quite simple. For decades, courts, lawyers, and settlement administrators have focused on making sure every valid claimant gets paid, which meant allowing purchasers of the product at issue (e.g., a certain brand of ice cream) to submit a claim without a receipt. Without that receipt, however, there are no cost-effective ways to conclusively determine who did and did not purchase that brand of ice cream during the relevant time period.

Unfortunately, fraudulent claims have increased dramatically in the past 24 months. In 2022, the number of claims with significant indicia of fraud increased from roughly 400,000 to nearly 2 million.

And, in 2023, the number grew to more than 80 million — an increase of more than 19,000% in just two years.

As it will take all stakeholders, including settlement administrators, courts and lawyers, to address these challenges, we expanded this report to include a full section on fraudulent claims. We will demonstrate that the explosion of fraud is real and share some examples of indicia of fraud that we have seen across more than 200 million digital and check payment selections.

To date, we have identified dozens of indicia of fraud, which are weighted differently in Digital Disbursements' fraud scoring model. Some of the more interesting indicia are highlighted in this report.

The Evidence of Growing Fraud

Growth in Claims Submitted with Duplicate Payment Destinations

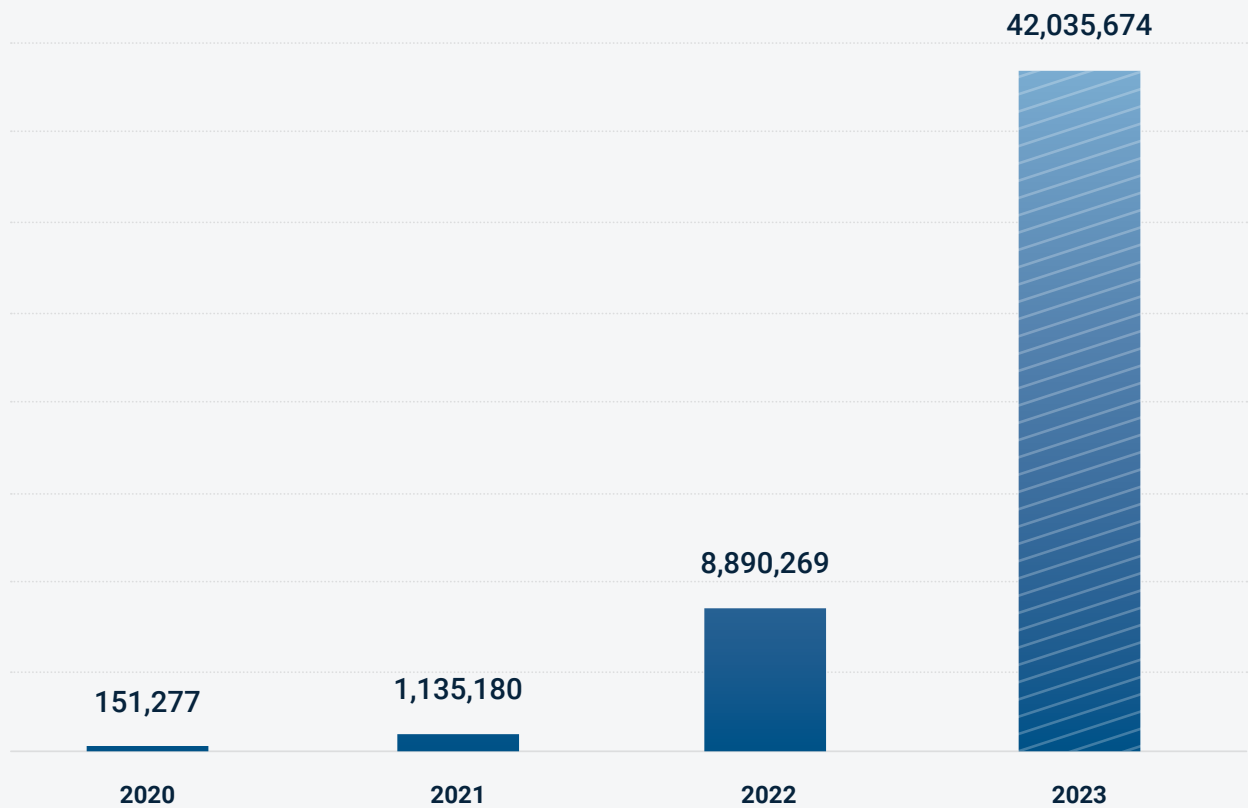


Figure 2: Claims Submitted With Duplicate Payment Destinations, 2020-2023

One of the most compelling indicia of fraud is the submission of multiple claims with the same payment destination. Examples include the same mailing address for multiple paper check selections, the same account and routing number for multiple direct deposit selections, and the same email address for multiple Venmo payment selections. While some settlements may allow multiple claims

per household (typically between 1 and 4), the growth in payment destination duplication is undeniable evidence of the growing fraud. In 2020, there were only 151,277 instances where the same payment destination was provided multiple times in the same settlement. In 2023 alone, there were 42,035,674 such instances—an incredible increase of more than 27,000%.

Growth in Claims Submitted With New Email Domains

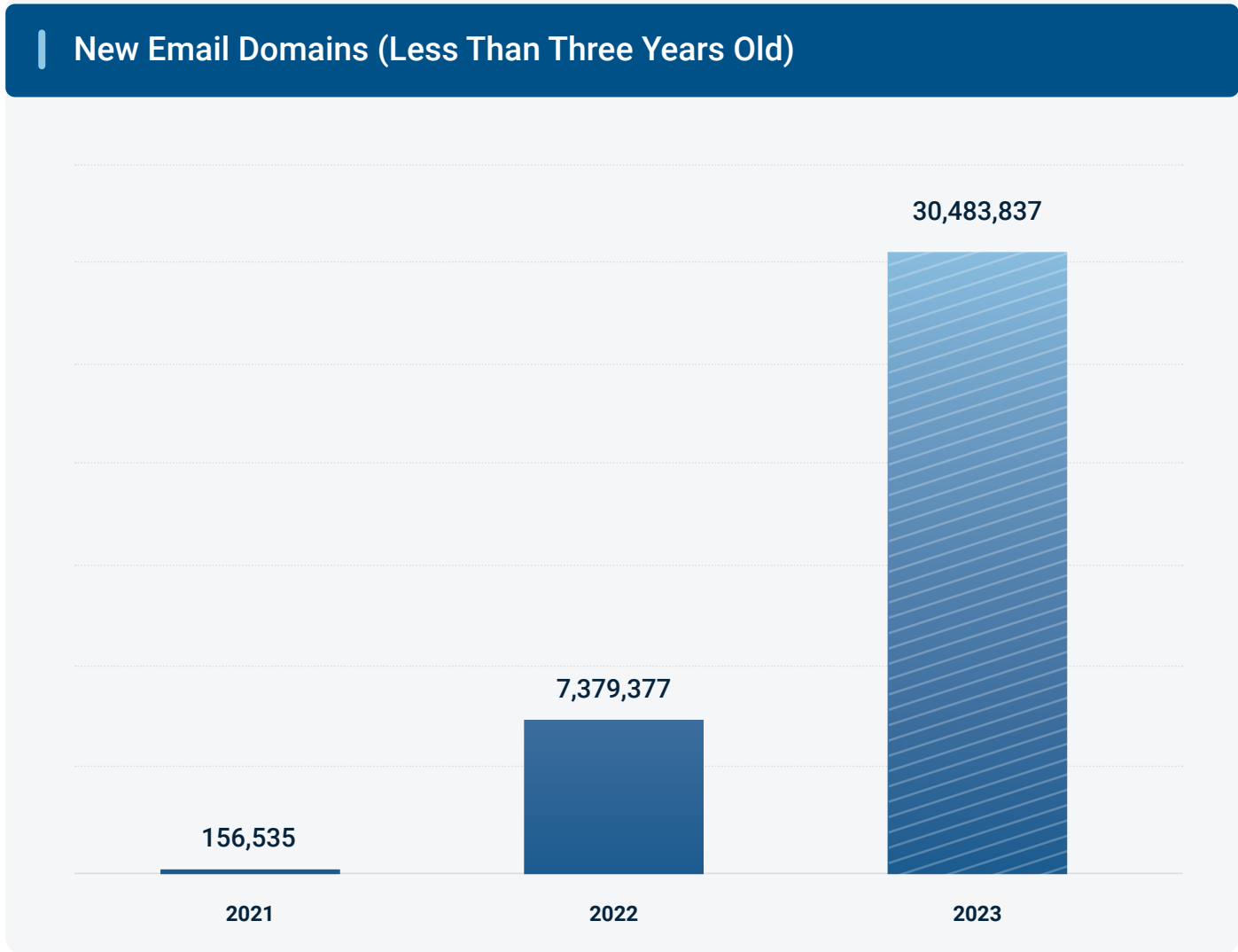


Figure 3: Growth in Claims Submitted with New Email Domains, 2021-2023

Another key indicia of fraud is the submission of claims with recently created email domains. The most obvious examples are when a bad actor creates a brand-new domain after the claim period begins and then uses that domain to create thousands or tens of thousands of new email addresses that are then used to submit claims. More broadly, our data shows many claims that use

email domains that are less than three years old also show one or more other indicia of fraud. While not every claim submitted with a new email domain is fraudulent, the spike is not a coincidence. In 2023 alone, more than 30 million claims were associated with email domains that were less than three years old. This represents an increase of more than 19,000% since 2021.

Fraudulent Claims are a Global Phenomenon

Growth in Claims Submitted with International Email Domains

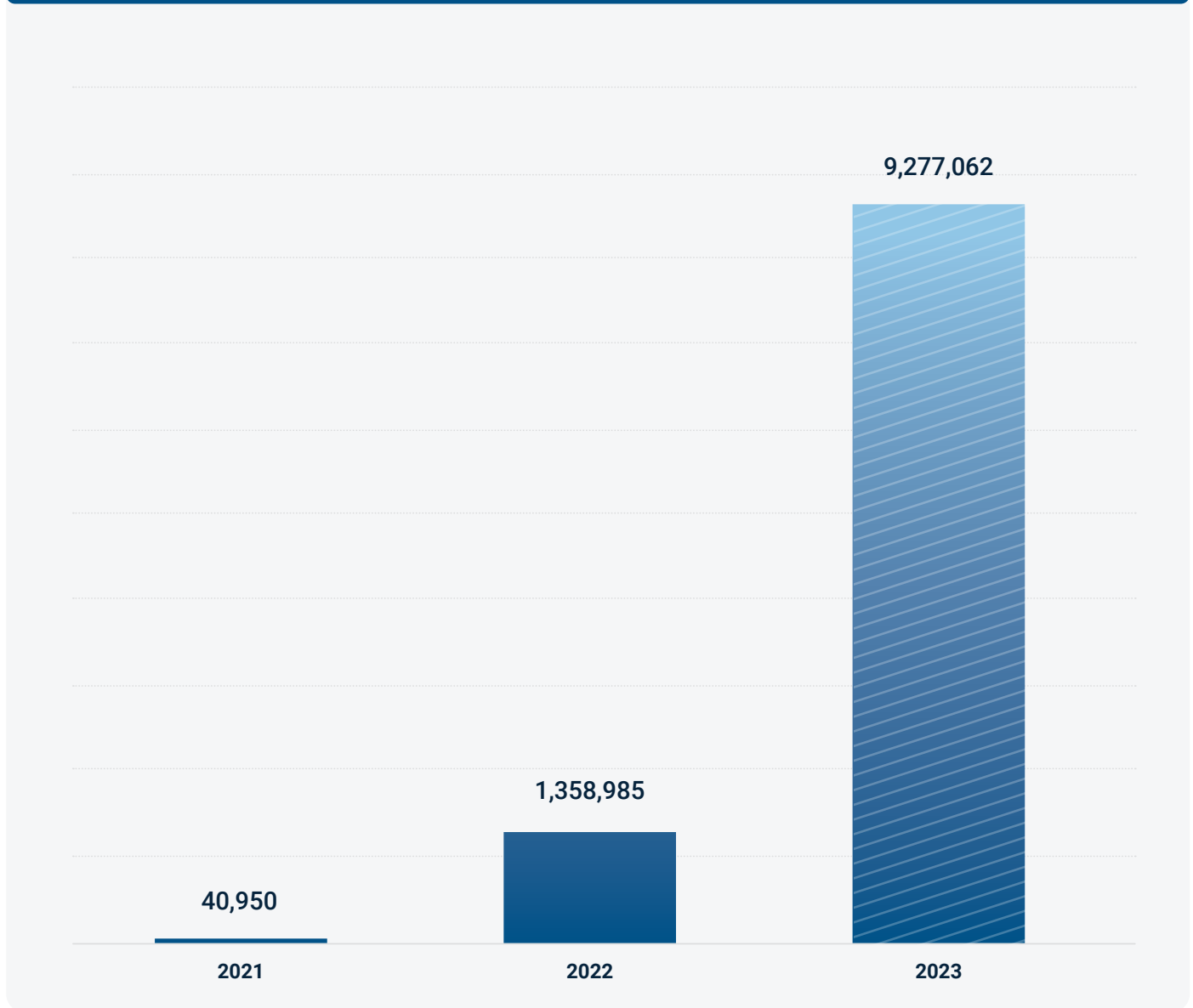


Figure 4: Claims Submitted with International Email Domains, 2021-2023

Although the overwhelming majority of settlements covered in this report are limited to U.S. class members and mass tort victims, we have seen an explosion of claims submitted with email addresses

registered outside of the United States. In 2023 alone, more than 9 million claims were submitted with an international email address. This represents an increase of more than 22,000% from 2021.

Heat Map Showing Volume of Fraudulent Claims Flagged by Country

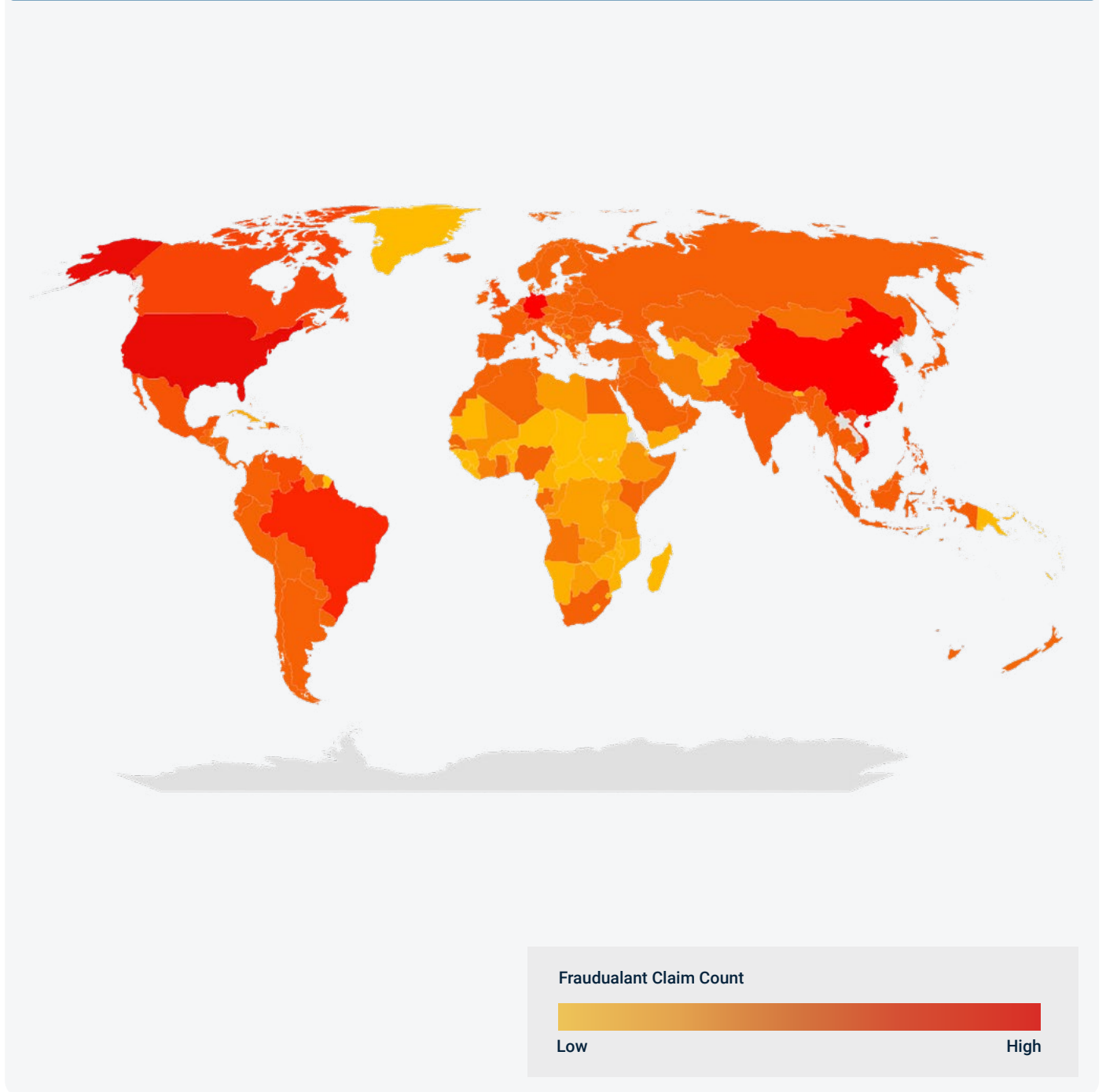


Figure 5: Heat Map Showing Volume of Fraudulent Claims Flagged by Country

Fraudulent Claims are Often Submitted from Hotmail.com and Outlook.com Email Domains

Claims from Hotmail.com and Outlook.com

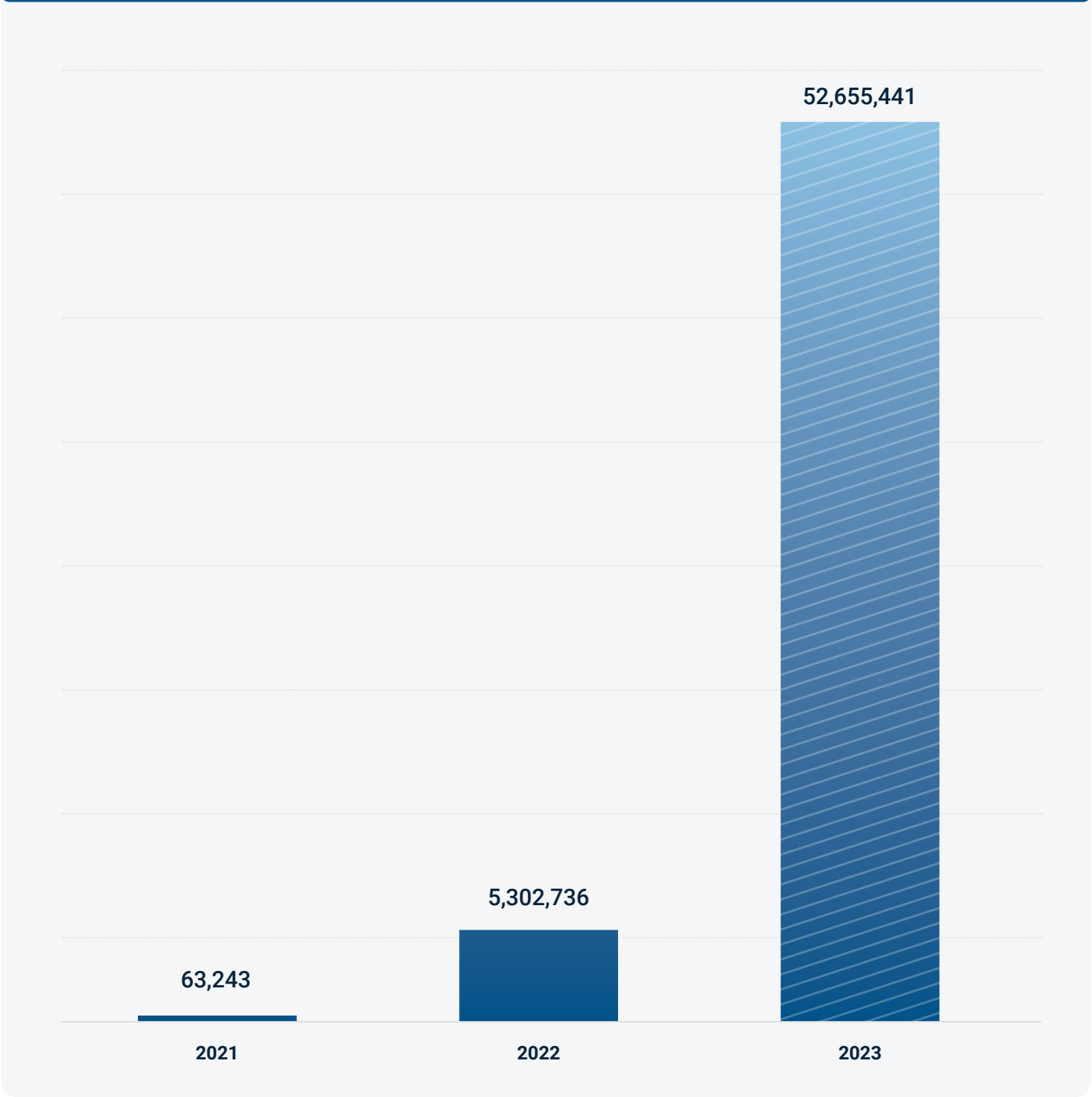


Figure 6: Submitted Claims from Hotmail.com and Outlook.com Email Domains, 2021-2023



In 2021, 63,243 claims were submitted using a Hotmail.com or Outlook.com email address. This represented a small percentage of all claims submitted in Digital Disbursements cases that year, and this percentage is in line with commonly reported statistics regarding market share of U.S. email domains.

However, things were about to change. As administrators started to recognize that international email domains and newly created email domains are indicia of fraud, many bad actors turned to Hotmail.com and Outlook.com. These domains are registered in the U.S. and are more than 10 years old (thus avoiding the two indicia of fraud referenced above), and it is easy to create tens of thousands or even hundreds of thousands of new Hotmail.com and Outlook.com email addresses in bulk.

As a result, in 2023, 52,655,441 claims were submitted with these domains. This represents a stunning increase of more than 83,000% from 2021. Equally telling, Hotmail.com and Outlook.com email addresses represented approximately 39% of all claims submitted in 2023, which percentage far exceeds the overall market share for these domains.

This development is as challenging as it is shocking. While it is tempting to deny all claims associated with Hotmail.com and Outlook.com emails, the reality is that some legitimate claimants still do use these domains. Real-time screening can be used to require claimants with these domains or other indicia of fraud to verify their submission using a U.S. mobile number. Legitimate claimants may provide a unique mobile number and verify their submissions, but a bad actor submitting 10,000 claims will be unable to provide 10,000 unique phone numbers.

Digital Payments Improve the Deliverability of Class Action and Mass Tort Settlement Payments

The success rate when payees are offered a broad pay menu with a variety of digital options remains extremely high, and the number of digital payments is increasing rapidly.

Digital Payments are Far More Effective Than Paper Checks

In last year's report, we predicted that the total number of settlements that offer digital payments would continue to grow substantially and that this year's report would cover approximately 500 cases. The actual growth exceeded our projection and, in fact, this year's report covers nearly 600 cases—more than double last year's number.

While the growth continued at an astounding pace, the payment success rate for digital payments in cases that offer a broad pay menu remained steady at 98%, which remains much higher than the check cash rate of only 77% in cases with a claims process and only 55% in cases without a claims process.¹

Comparison of Payment Success Rates for Paper Checks and Digital Payments

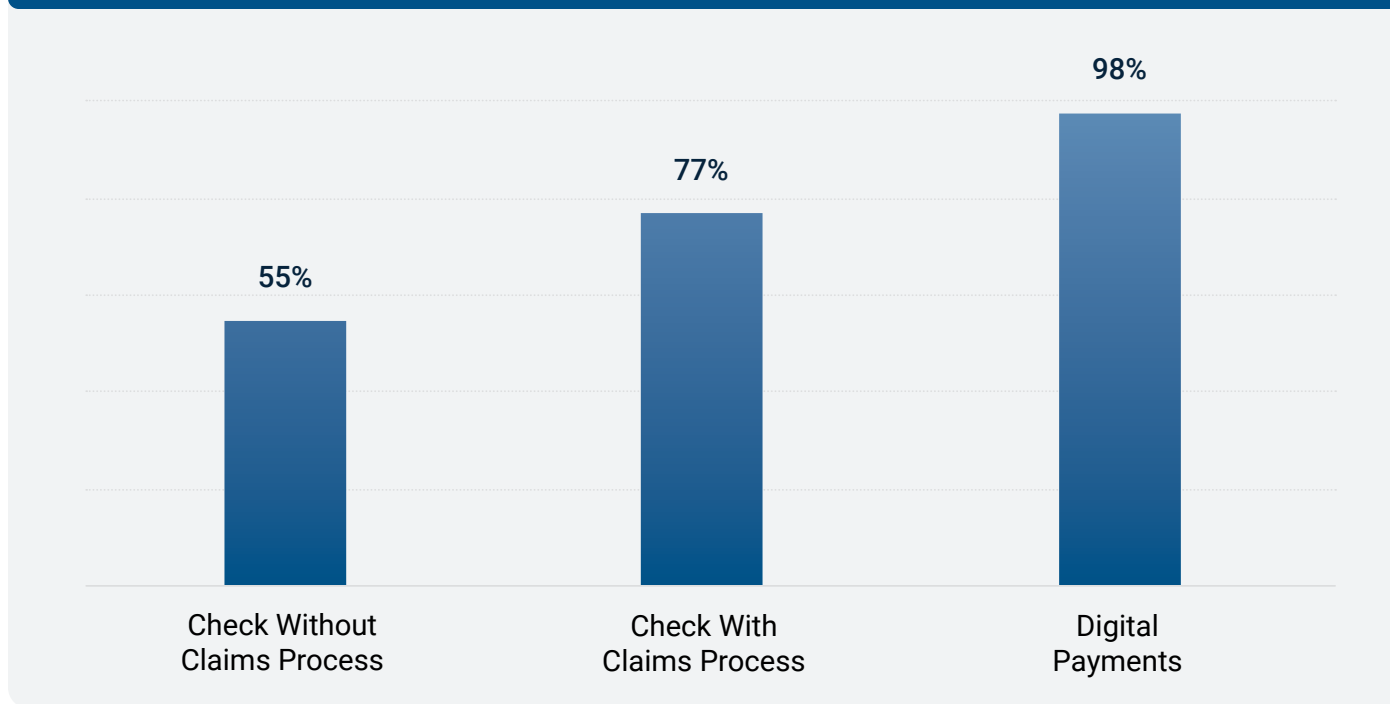


Figure 7: Comparison of Payment Success Rates for Paper Checks and Digital Payments, 2023

Why is the success rate so important? Because Rule 23 of the Federal Rules of Civil Procedure mandates that courts consider “the effectiveness of any proposed method of distributing relief to the class” in determining whether a proposed settlement is fair,

adequate, and reasonable.² As courts, lawyers, and settlement administrators see firsthand how offering a broad pay menu increases the effectiveness of the distribution process, we expect that the use of digital payments will continue to grow.

¹ Federal Trade Commission, September 2019. “Consumers and Class Actions. A Retrospective and Analysis of Settlement Campaigns.” https://www.ftc.gov/system/files/documents/reports/consumers-class-actions-retrospective-analysis-settlement-campaigns/class_action_fairness_report_0.pdf

² Federal Rules of Civil Procedure 2009. “Rule 23(e)(2)(C)(ii). Class Actions.” https://www.uscourts.gov/sites/default/files/federal_rules/FRCP12.1.2009.pdf.

The Digitization of Settlement Payments Continues to Accelerate

Growth in Settlements Using Digital Payments

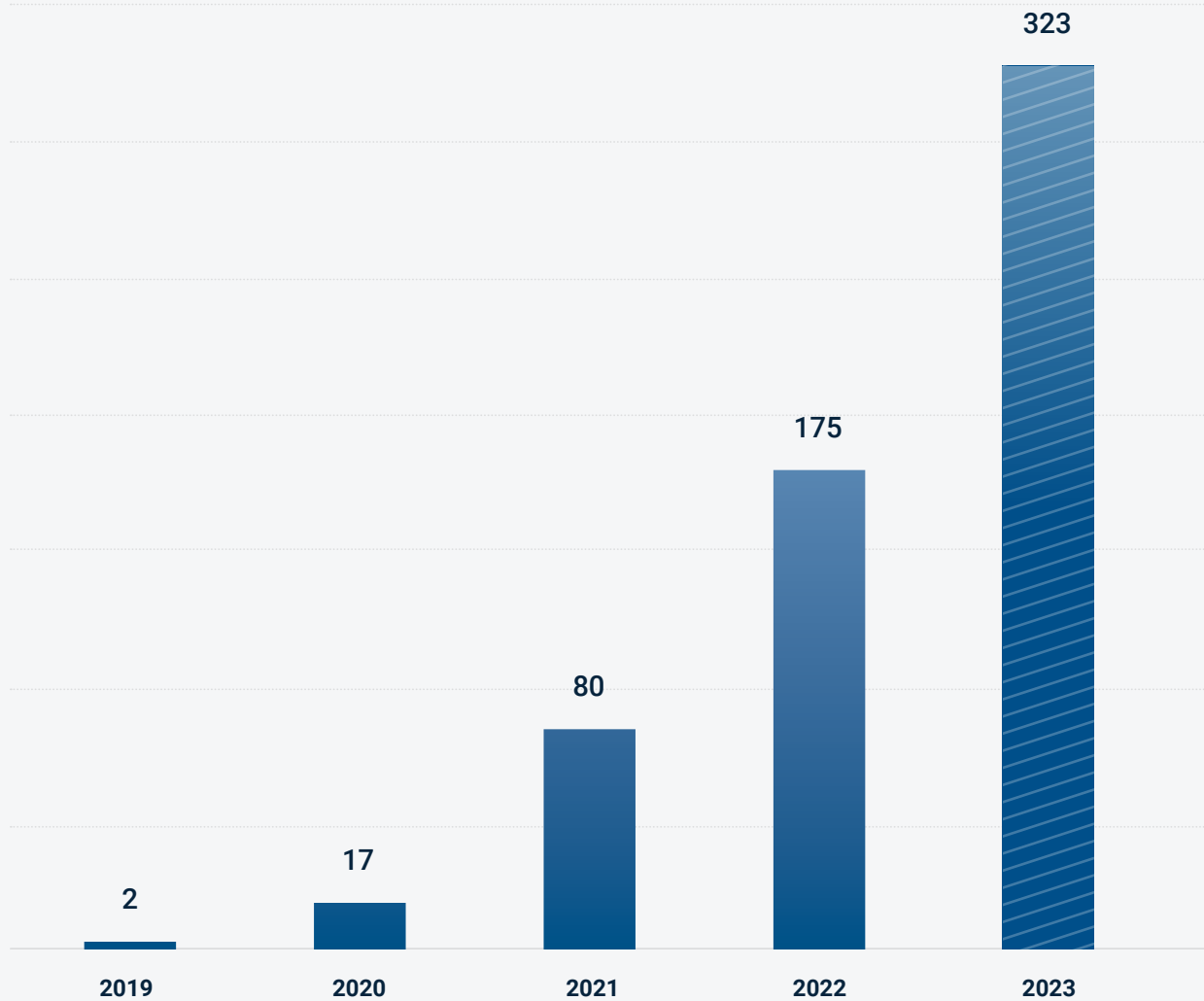


Figure 8: Awarded Distributions with Digital Payments, 2019-2023

The total number of settlements over the five years covered in this report is now 597.

Judges, lawyers, and settlement administrators continue to recognize the advantages of a pay menu that includes digital options and a paper check. As we mentioned above, the growth in the number of

class action and mass tort distributions managed by Digital Disbursements (with enough market share to serve as a proxy for the industry) has exceeded our projection as it has increased by 1,800% during the past three years (from just 17 cases in 2020 to 323 cases in 2023).

Payees Increasingly Prefer Digital Payments

Comparison of Selection Rates for Digital Payments and Paper Check

Digital Payment Paper Check

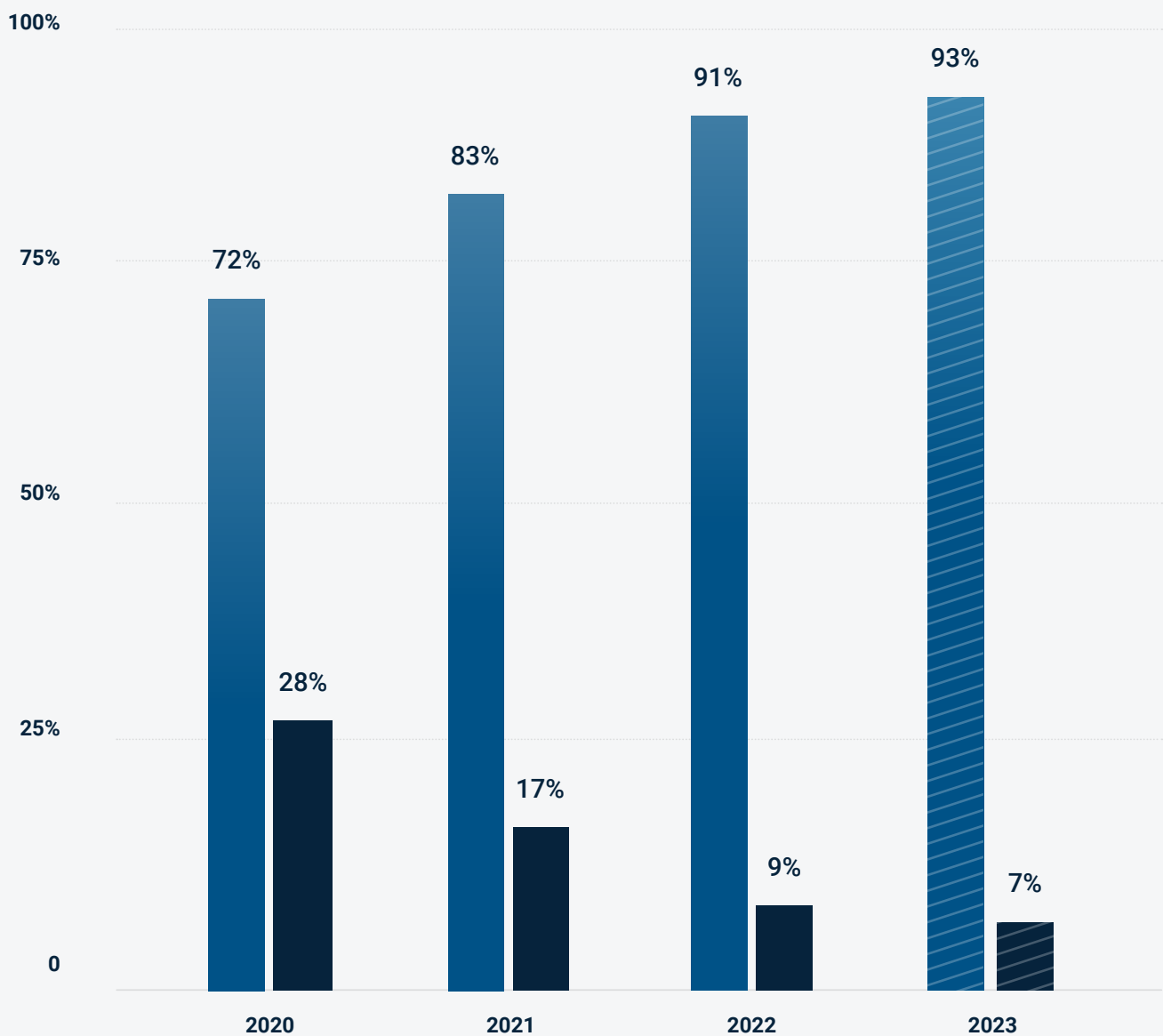


Figure 9: Comparisons of Selection Rates for Digital Payments and Paper Checks, 2020-2023 (excludes 2023 payment selections with medium and high indicia of fraud)

Most Popular Digital Payment Methods

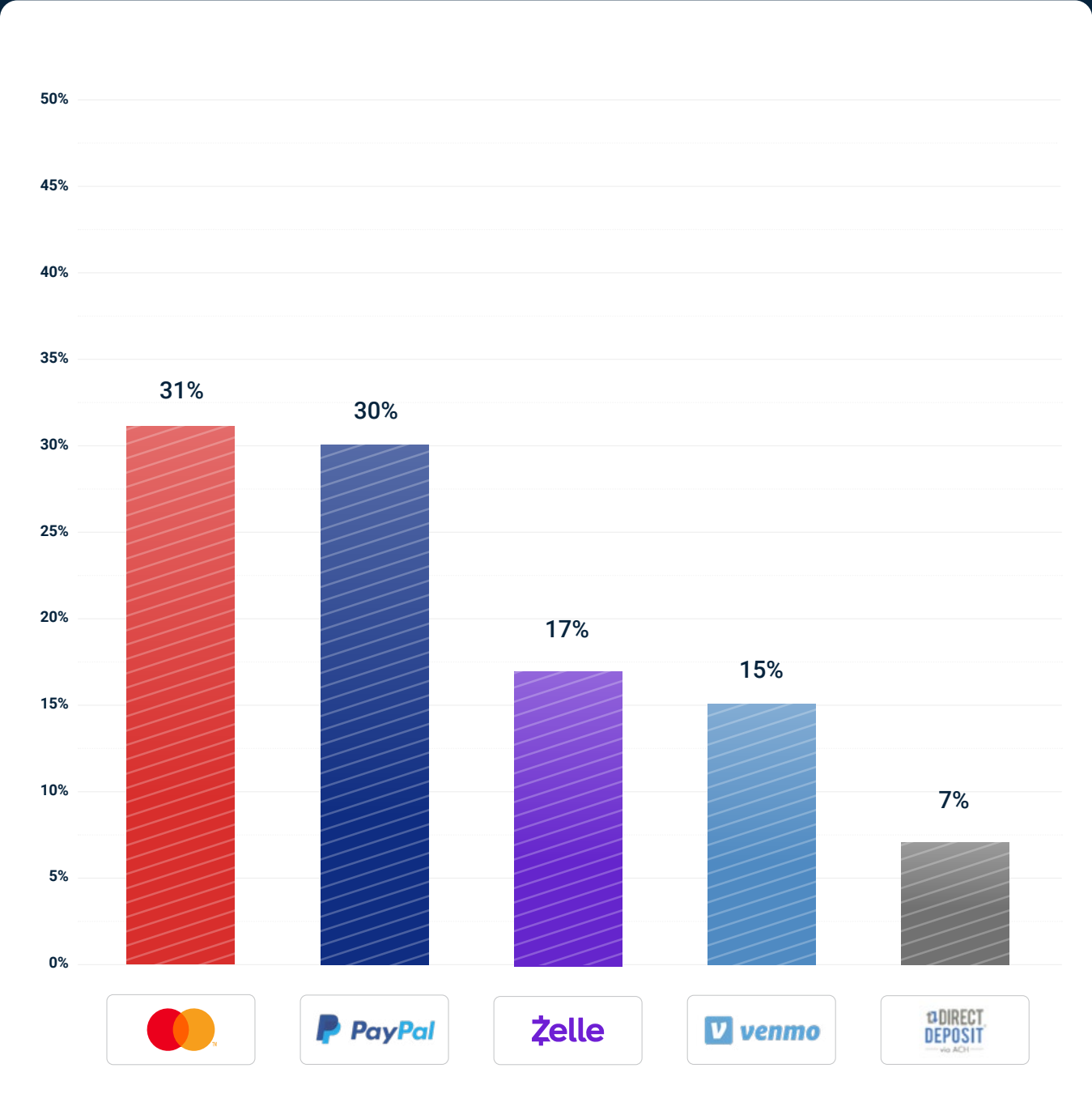


Figure 10: Payment Rates By Method, 2023

Courts and Law Firms Continue to Embrace Digital Payments

The rise in use of digital payments continues, with the number of cases roughly doubling among the top firms and courts. As we found in previous years, the trend is not limited to any particular federal or state court or to any particular law firm size.

The following rankings provide a look at the courts and firms with the most significant use of digital payments (by number of settlements, number of payments, and total amount of payments), as processed by Digital Disbursements (again, serving as a proxy for the industry) from 2019 to 2023.



Top 10 Federal and State Courts

By Number of Settlements With Digital Payments (2019-2023)

Rank	Court	Cases
1	Northern District of California	58
2	Central District of California	23
2	Northern District of Illinois	23
4	Circuit Court of Cook County, Illinois	19
5	Southern District of New York	16
6	Los Angeles County Superior Court, California	14
6	San Diego County Superior Court, California	14
8	18th Judicial Circuit Court, DuPage County, Illinois	10
9	Western District of Washington	9
10	Middle District of Florida	8
10	Southern District of California	8

Figure 11: Court Rankings, By Number of Settlements with Digital Payments, 2019-2023

Top 10 Federal and State Courts

By Number of Successful Digital Payments (2019-2023)

Rank	Court
1	Northern District of California
2	Southern District of New York
3	18th Judicial Circuit Court, DuPage County, Illinois
4	Northern District of Illinois
5	Circuit Court of Cook County, Illinois
6	Circuit Court of Phelps County, Missouri
7	Central District of California
8	Circuit Court of St. Clair County, Illinois
9	Southern District of California
10	District of Minnesota

Figure 12: Court Rankings, By Number of Successful Digital Payments, 2019-2023

Top 10 Federal and State Courts

By Total Dollar Amount of Digital Payments (2019-2023)

Rank	Court
1	Northern District of California
2	Northern District of Illinois
3	Circuit Court of Cook County, Illinois
4	Southern District of New York
5	San Diego County Superior Court, California
6	Los Angeles County Superior Court, California
7	Western District of Washington
8	San Mateo County Superior Court, California
9	District of Utah
10	18th Judicial Circuit Court, DuPage County, Illinois

Figure 13: Court Rankings, By Total Dollar Amount of Digital Payments, 2019-2023

Top 10 Plaintiff-Side Law Firms

By Number of Settlements With Digital Payments (2019-2023)

Rank	Plaintiff Law Firm	Cases
1	Milberg Coleman Bryson Phillips Grossman, PLLC	64
2	Morgan & Morgan	29
3	Edelson PC	25
4	Bursor & Fisher, P.A.	22
5	Markovits, Stock & DeMarco, LLC	17
6	Arnold Law Firm	16
7	Turke & Strauss LLP	15
8	Levin Sedran & Berman LLP	11
8	Sultzzer & Lipari	11
10	Zimmerman Law Offices, P.C.	10

Figure 14: Plaintiff-Side Law Firm Rankings, By Number of Settlements With Digital Payments, 2019-2023

Top 10 Plaintiff-Side Law Firms

By Number of Successful Digital Payments (2019-2023)

Rank	Plaintiff Law Firm
1	Milberg Coleman Bryson Phillips Grossman, PLLC
2	Bursor & Fisher, P.A.
3	FeganScott
4	Lynch Carpenter
5	Fitzgerald Joseph LLP
6	Bird Marella LLP
7	Lieff Cabraser Heimann & Bernstein LLP
8	Burns Charest LLP
9	Herrera Kennedy LLP
10	Clarkson Law Firm P.C.

Figure 15: Plaintiff-Side Law Firm Rankings, By Number Of Successful Digital Payments, 2019-2023

Top 10 Plaintiff-Side Law Firms

By Total Dollar Amount of Digital Payments (2019-2023)

Rank	Plaintiff Law Firm
1	Bursor & Fisher, P.A.
2	Lichten & Liss-Riordan, P.C.
3	Ahdoot & Wolfson, PC
4	Lynch Carpenter
5	Carey Rodriguez, LLP
6	Hedin Hall LLP
7	FeganScott
8	Bird Marella LLP
9	Keller Postman LLC
10	Robbins Geller Rudman & Dowd LLP

Figure 16: Plaintiff-Side Law Firm Rankings, By Total Dollar Amount of Digital Payments, 2019-2023

Top 10 Defendant-Side Law Firms

By Number of Settlements With Digital Payments (2019-2023)

Rank	Defendant Law Firm	Cases
1	BakerHostetler	19
1	Lewis Brisbois Bigsgaard & Smith LLP	19
1	Mullen Coughlin	19
4	Gibson Dunn & Crutcher LLP	17
5	Littler Mendelson, P.C.	13
6	Cooley LLP	10
6	Perkins Coie LLP	10
6	Gordon Rees Scully Mansukhani LLP	10
9	Wilson Elser	8
10	Jenner & Block LLP	7

Figure 17: Defendant-Side Law Firm Rankings, By Number of Settlements With Digital Payments, 2019-2023

Top 10 Defendant-Side Law Firms

By Number of Successful Digital Payments (2019-2023)

Rank	Defendant Law Firm
1	Cooley LLP
2	Perkins Coie LLP
3	Faegre Drinker Biddle & Reath LLP
4	Morgan, Lewis & Bockius LLP
5	Wilson Sonsini Goodrich & Rosati
6	Jenner & Block LLP
7	Dorsey & Whitney LLP
8	Katten, Muchin & Rosenman LLP
9	Gibson Dunn & Crutcher LLP
10	Covington & Burling LLP

Figure 18: Defendant-Side Law Firm Rankings, By Number of Successful Digital Payments, 2019-2023

Top 10 Defendant-Side Law Firms

By Total Dollar Amount of Digital Payments (2019-2023)

Rank	Defendant Law Firm
1	Cooley LLP
2	Perkins Coie LLP
3	Gibson Dunn & Crutcher LLP
4	Wilson Sonsini Goodrich & Rosati
5	Covington & Burling LLP
6	Littler Mendelson, P.C.
7	Boies Schiller Flexner LLP
8	Mayer Brown
9	Shearman & Sterling
9	Vorys, Sater, Seymour and Pease LLP

Figure 19: Defendant-Side Law Firm Rankings, By Total Dollar Amount of Digital Payments, 2019-2023

Additional Advantages of Digital Payments that Would Benefit from Further Study

The data from this report is incontrovertible: Digital payments are far more effective than paper checks, and class members/mass tort victims, judges, lawyers, and settlement administrators are increasingly embracing the use of a pay menu that includes popular digital payment options and paper check by mail. Based on the many advantages of digital payments, we expect this trend to continue. It is our goal to take a deeper dive into these issues (including those listed below) in future reports.

Criteria	Pay Menu	Paper Check	Recap of Current Information
Success Rates	High	Low	As explained on page 13, studies have shown that the average success rate for digital payments is 98% and the average check cash rate is between 55% - 77%.
Cost Per Payment	Low	High	The cost to send a digital payment (to a U.S. payee) remains significantly less than the cost to print and mail a paper check.
Security	High	Low	On February 27, 2023, the United States Financial Crimes Enforcement Network issued an alert regarding the nationwide surge in check fraud schemes targeting the U.S. mail. ³
Tracking	Same Day	Potentially Months	Digital payments enable nearly instantaneous tracking.
Speed	Fast	Slow	Most digital methods are delivered the same day as initiated.
Payee Convenience	High	Low	No digital payees are required to visit a bank.
Unbanked	Friendly	Unfriendly	Approximately 5.9 million Americans are unbanked. ⁴ Check-only distributions require the unbanked to pay extremely high fees for check cashing services.
Environmental	Low Impact	High Impact	Paper check distributions generate significant paper waste and carbon emissions.

Figure 20: Areas for Further Study, 2023

³ Financial Crimes Enforcement Network. Feb. 27, 2023. "FinCEN Alert on Nationwide Surge in Mail Theft-Related Check Fraud Schemes Targeting the U.S. Mail." <https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Mail%20Theft-Related%20Check%20Fraud%20FINAL%20508.pdf>

⁴ Federal Deposit Insurance Corporation. Updated July 24, 2023. "2021 FDIC National Survey of Unbanked and Underbanked Households." <https://www.fdic.gov/analysis/household-survey/index.html>



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About Western Alliance Bank Juris Banking Group

Western Alliance Bank's Juris Banking Group is a national banking group within Western Alliance Bank, Member FDIC. Our offerings include: Settlement Services for class action, mass tort and bankruptcy attorneys, claims administrators and related businesses; Digital Disbursements to facilitate payments to claimants in these matters; and nationwide full-service banking solutions under the same umbrella. Our team combines legal industry expertise and a dedication to client service that delivers value and exceeds expectations. Western Alliance Bank Juris Banking Group is part of Western Alliance Bancorporation, which has more than \$65 billion in assets. Influential sources from American Banker to Bank Director again rank Western Alliance Bank among the top U.S. banks in 2023. With significant national capabilities, the Juris Banking Group delivers the reach, resources and deep industry knowledge that make a difference for customers.



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