



RISK SETTLEMENTS

Preventing Bankruptcy Through Risk Transfer

” *Through Risk Settlements, a Manufacturer Ends Years of Litigation, Removes Hundreds of Millions of Dollars in Liability Exposure and Prevents Bankruptcy.*



Case Status When Risk Settlements Was Engaged:

In 2013, a class action lawsuit was filed against a manufacturer. Class plaintiffs alleged that design and manufacturing defects in certain of the company's branded products caused two distinct safety risks.

Due to an interlocutory appeal, there was no final disposition in the case until 2018. In the meantime, motions to dismiss were briefed but never ruled upon. Class certification motions were never filed. All settlement efforts were halted due to the two-year appeal process.



Obstacles to Resolution:

Due to the uncertainty and potential exposure stemming from class action litigation, the manufacturer's debtholders were threatening to foreclose on outstanding obligations. This would have forced the company into bankruptcy and, likely, liquidation. **The equity holders would have been wiped out and consumers would have been left with no rights or remedies.**



Solution:

The company retained Risk Settlements to provide innovative strategies for designing a settlement and notice plan that would achieve final approval and provide risk transfer options to remove the uncertainty and financial implications of settlement. **Using Class Action Settlement Insurance (“CASI”), the company transferred 100% of the settlement risk off its financial statements for a fixed cost.**



Results:

Risk Settlements designed an optimal solution to achieve final approval. The Court considered both economic and non-economic benefits to the class and determined that the claims made settlement was fair, reasonable and in the best interest of the class. Furthermore, the company survived the inevitable bankruptcy which would have resulted from the \$30 million liability hitting its financial statements. **The risk transfer costs were reduced as the company adopted recommendations and strategies to reduce waste, fraud and abuse.**

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