**How Battea Can Help You Work With a Claims Administrator** by Wolcott Wheeler

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Remember the scene in *The Wizard of Oz* when the Wizard tells Dorothy, “Pay no attention to the man behind the curtain!”?  Well, in a securities class action, the claims administrator is “the person behind the curtain”—working behind the scenes to get things done and push the process along.

If you’re part of a class action or contemplating joining one, you need to know what a claims administrator does and how they can affect your claims.  Their role in the process is crucial.

This article will focus on the vital role that a claims administrator plays in the securities class action process—and why it could be beneficial for you to engage a third-party vendor like Battea to process your data, so that your claim will have the optimum chance of success when it’s analyzed by the claims administrator.

First off—what exactly is a claims administrator?  A claims administrator is a neutral third party who is either appointed by the Court or retained by the suit’s attorneys; their job is to execute the terms of the settlement, judgment, or Court-appointed process for administering a claim.

1. ***Notification***.  The claims administrator initiates the notification process with the goal of notifying as many potential class action members as possible.  The administrator does this by placing advertisements in financial media that invite prospective injured parties to participate in the class action, and by mailing claim packets to the names and addresses of stockholders provided by the defendant’s transfer agent.  Most administrators maintain a database of brokers and nominees, who are notified of each settlement and ordered to either provide names and addresses of clients who are potential class members, or alternatively, request a bulk number of claim packets to mail directly to their clients.
2. ***Processing opt outs.***  After completing the notification process, the administrator will start receiving requests from individuals and entities to opt out or exclude themselves from the settlement, while manually and electronically completed claim forms begin arriving. The administrator processes and reports back to the Court all opt-out choices with relevant trade data.  If enough opt-out requests are made, the settlement itself may be jeopardized.  For actual claims that were submitted, the administrator enters data provided by the claimant into the system and evaluates documentation (when provided) to substantiate each claim.
3. ***Audits and data integrity checks***.  During the adjudication process, the claims administrator performs a number of audits and data integrity checks. If the claim presents any serious issues, the administrator can elect to reject a claim in whole or in part.   If a claim is partially rejected, that portion of the claim will be excluded from the calculation and will reduce the claim’s value.  The administrator can also request independent documentation, such as statements or additional data, to further validate a claim.  If the administrator determines a claim is deficient or incomplete, the claimant is notified of their claim’s defects and given an opportunity to rectify.  In most cases, the administrator must notify claimants of any data defects and provide a response deadline, usually within 20 to 30 days of the notification.  If the claimant fails to address these defects in a timely manner, the claim will likely be rejected. Additionally, as part of the deficiency recognition process, the administrator identifies duplicated filings and claims that they suspect may have been fraudulently filed. As further detailed below, the administrator will make recommendations to Class Counsel concerning all claims they propose to reject, as well as the associated recognized losses for all eligible claims.
4. ***Calculating recognized loss.***  To identify the population and value of eligible claims, the administrator calculates a recognized loss in accordance with the Court-approved Plan of Allocation.  Please note: recognized loss is not the same as a market or “out-of-pocket” loss. It is the means by which the Net Settlement Fund is distributed on an equitable basis using the arguments in the suit as a foundation to determine loss value.
5. ***Distribution***.  In wrapping up the class action process, the administrator creates a distribution affidavit that, among other things, tallies the number of claims, assesses the aggregate losses, and lists the circumstances surrounding each claim. After a thorough review of the administrator’s findings, Class Counsel submits the Distribution Order to the Court.  Once the Court approves the distribution, the administrator distributes the funds for all eligible claims on a pro-rata basis.  For example, if there is $1 million to distribute and the recognized losses for all claims total $2 million, everyone will receive 50% of their recognized loss.

This is *what* a claims administrator does.  But *how* they do it determines the eligibility and value of a claim.

1. An administrator will use all information, data, and documentation available to evaluate a claim and verify that it meets the definition of the class action.  As a result, the claim must include eligible security identifiers, and the dates and holdings must balance and conform to the Class Period.
2. The administrator will utilize historical pricing to ensure that claim data is aligned with the market trading of a security and will review net amounts to confirm that they reasonably correlate with quantities, prices, and commissions.
3. The administrator will request and review documentation to substantiate a claim, and any electronic data must meet formatting requirements and specifications. Since these requirements and specifications will vary among administrators, this lack of consistency further complicates the process.

Here is what a claims administrator *doesn’t* do.

* The administrator is *not* required to accept claims if they fail to meet the settlement or formatting requirements outlined in court-approved documents.
* They are also not obligated to decipher questionable or incomplete data.
* For example, an administrator will not trace transferred shares across multiple claims for the same beneficial owner.
* All in all, they are *not* allowed to make any assumptions when reviewing claim data, since these assumptions are a liability and could artificially inflate or deflate the value of a claim.

In short, claims administrators can’t make your claim eligible.  But Battea – Class Action Services *can*.  We present client information in the preferred format of each administrator and have developed our own proprietary method of tracking data.  Our audits and data integrity checks are very thorough.

The likelihood of a claim paying out is only as good as the information provided to a claims administrator.  When financial institutions, such as custodian banks, file claims on behalf of multiple clients, the quality of this data can vary greatly, and often there is no follow-up.  If an administrator disqualifies a claim because of poor data, many custodian banks will merely shrug and declare they’ve done what they could; end of claim.

The advantage of engaging a third-party vendor like Battea is that you can benefit from our expertise in processing complex financial data and guiding claims through their often challenging paths.  Because we have long-standing professional relationships with claims administrators, we are able to work behind the scenes to assist with your claim and surmount bureaucratic hurdles.

Many clients come to Battea because of our performance-based fee structure, since no upfront costs are entailed.  Battea does all the work.  While we do charge a percentage of the settlement we achieve, it should be noted that by working with an industry expert like Battea, clients generally achieve much larger recovery sums than if they had relied on a custodian bank or another vendor; and where custodian banks will accept the rejection of a claim and pursue no further action, Battea will inquire *why* a claim was rejected and follow up to see if the issue can be rectified to allow for a possible settlement.