



CASE STUDY 2025

Topic:

**Verus Financial Safeguards Against the
Diversion of Settlement Funds in Class
Action Disbursement**



Todd Hilsee, of the Hilsee Group, authored [a white paper](#) in late 2024 concerning the unethical diversion of funds that had been dedicated by the court as regulated Qualified Settlement Funds (QSFs) to court-appointed claims administrators (Admins). This issue arises when Admins and their related financial technology vendors (FinTechs) are directed to compensate claimants for harm specified in the settlement agreement. From a practical standpoint, these administrators of the QSF may not be able to reach some portion of the claimant population. In this case, what happens to the money that the QSF had entrusted to the Admins and subsequently to the FinTechs?

Hilsee introduced the industry terms “breakage” or “fee-downs” to describe the possible diversion of these unclaimed funds to the Admins and FinTechs themselves. He cites lack of transparency in reports to the courts and analysis of industry practice to suggest that breakage is a prevalent issue. A key point Hilsee raises is that digital payments have shifted the landscape and made breakage more of a possibility when the appropriate ethical constraints are not in place. Hilsee notes that in some forms of digital outreach, breakage rates can reach 80% to 90% (typically occurring because emails or SMS notifications were ignored).



As a settlement administrator with a twenty year track record, Verus differentiates itself with transparent financial controls and a process and quality control-driven culture to prevent breakage or fee-downs from occurring.



Verus Case Study



Verus financial controls are rooted in a culture of accountability and transparency. The following outlines Verus' process, ensuring ethical fund disbursement and preventing breakage:

- **Reconciliation & Audit Trails:** Every dollar disbursed from a Qualified Settlement Fund (QSF) is reconciled against detailed claimant-level tracking. We maintain auditable records for every transaction, ensuring nothing goes unaccounted for.
- **Tiered Outreach and Follow-Up:** Verus does not rely solely on digital outreach. If a claimant doesn't respond to initial digital contact attempts, we escalate to alternative methods—phone outreach, physical mail, or verified third-party contact—until reasonable methods are exhausted.
- **Unclaimed Funds Procedures:** In the rare cases where funds go unclaimed, we follow court-approved reversion protocols and provide full transparency to all stakeholders.
- **Segregation of Duties:** Our internal controls include strict separation between those who authorize payments and those who execute them, preventing risk of error or unethical behavior.
- **Court Reporting and Transparency:** We provide detailed, real-time financial reporting to courts, counsel, and stakeholders throughout the life of the case—ensuring full transparency into fund utilization.



Our goal is not just compliant administration, but principled stewardship of settlement funds. It is one of the many reasons law firms, special masters, and trustees trust Verus to manage even the most complex class actions with integrity and rigor.

Discover how Verus' transparent, court-approved processes and rigorous financial controls prevent breakage and protect every dollar dedicated to claimants. Partner with us to ensure complete accountability, ethical stewardship, and uncompromising accuracy in every settlement disbursement.