

to the court to determine any amount of damages and the issue of declaratory relief. The jury found Glasbern, Inc. and Granger had violated the Pennsylvania Insurance Fraud Act "in connection with failing to disclose the farming operations of Glasbern, Inc. to Wells Fargo and/or Zenith so as to cause Zenith to renew the worker's [sic] compensation insurance policy for the year 2010."³ The court held a trial on damages and declaratory relief on July 17, 2013 and now makes the following findings of fact and conclusions of law.

On June 11, 2010, Jason Angstadt ("Angstadt"), an employee of Glasbern, Inc., sustained serious injuries in the course and scope of his employment when he was struck by a 1200-pound cow from Glasbern Inc.'s herd of Devon cattle. As a result of the injuries, Angstadt is now a paraplegic. Zenith, which had issued a workers compensation insurance policy to Glasbern, Inc. and Granger, investigated Angstadt's claim and filed a Temporary Notice of Compensation Payable with the Pennsylvania Workers' Compensation Bureau on June 28, 2010. The notice became permanent on September 9, 2010. Zenith has continuously paid workers compensation benefits to Angstadt since filing the Temporary Notice of Compensation Payable and has agreed to continue to make any payments owed to or on behalf of Angstadt pursuant to the workers compensation policy. Zenith seeks

3. As noted above, Wells Fargo was the insurance broker engaged by Glasbern, Inc. and Granger.

reimbursement from Glasbern, Inc. and Granger for the amounts it has paid as well as all future payments it must make on the ground that Glasbern, Inc. and Granger committed fraud in connection with the issuance of the workers compensation policy by not disclosing Glasbern, Inc.'s farm operations.

During the non-jury trial held on July 17, 2013, Zenith employee Robert Sandow testified about the handling of the Angstadt claim. The court finds his testimony to be credible. At the time of Angstadt's injury, Sandow was a claims examiner. He was in charge of the Angstadt claim from the date of the injury until his promotion to claims supervisor in June 2012. Sandow reviewed all the medical bills of Angstadt to ensure they were related to the injury at issue and reasonable in light of the injury.

During the regular course of Zenith's business, bills for standard medical treatments such as hospital bills, medications, and physical therapy are submitted to Zenith's bill review department in Florida. The bill review department processes the bills and determines the amount to be paid based on a fee schedule published annually by the Pennsylvania Workers' Compensation Bureau. The bills are then reviewed by the claims examiner. The claims examiner, who does not have medical training, must read the report accompanying the bill to assure that the report states that the treatment was related to the covered injury and that it was medically reasonable. If the claims examiner approves the bill, a check is issued to the

provider of the treatment. For large expenses such as wheelchairs or vehicles, Zenith is notified in advance of the proposed expense and must approve the purchase before it is made.

When faced with a sizable loss such as that of Angstadt, Zenith engages a company called Paradigm which specializes in managing catastrophic claims. At some point Zenith hired Paradigm and paid it a flat fee of \$832,964 in exchange for handling and paying Angstadt's medical bills related to his injury at Glasbern, Inc. Although Paradigm was responsible for the decision whether to pay the medical bills or challenge them through the Workers' Compensation Bureau utilization review process, Zenith continued to receive copies of the bills and review them. Zenith's claim examiners did not challenge any payments made by Paradigm. Paradigm's obligations ended when Angstadt's condition was stabilized, in April 2011. Thereafter, Zenith used its regular bill review and payment procedures to handle the Angstadt claim.

Zenith, pursuant to its workers compensation insurance policy, sends Angstadt \$450 per week in indemnity payments, based on his pre-injury earnings. Since Angstadt is permanently disabled, he is entitled to receive benefits for his lifetime. His life expectancy is 37 years.

As of June 24, 2013, Zenith has proven that it paid a total of \$1,076,382.37 to or on behalf of Angstadt, including \$71,100 in indemnity payments, \$994,084.54 in medical payments,

and \$11,197.83 in administrative fees.⁴ The medical payments include the payment of \$832,964 to Paradigm. Sandow's testimony establishes that all of Zenith's payments to or on behalf of Angstadt were made in the regular course of business pursuant to Zenith's contractual or other legal obligations. There has been no evidence disputing the reasonableness of the sums paid. Zenith is entitled to a judgment against Glasbern, Inc. and Granger, jointly and severally, in the amount of \$1,076,382.37 to compensate it for the fraud of Glasbern, Inc. and Granger in failing to disclose the farming operations of Glasbern when the workers compensation policy was being renewed in 2010.

As Angstadt's condition is permanent, Zenith will be required to make payments after June 24, 2013. The court declares that Glasbern, Inc. and Granger, jointly and severally, must reimburse Zenith for all reasonable medical and other payments made to or on behalf of Angstadt after that date as required under the Zenith Workers Compensation and Employers Liability Insurance Policy No. Z070128302.

4. Administrative fees include the following: Procura Bulk Pay, Gould & Lamb LLC, and Ingenix Bill Review Software. Procura is a network of medical providers that provides savings to Zenith for which Zenith pays a fee. Gould & Lamb LLC provides services to determine future medical needs and prepare a lifecare plan for Angstadt. Ingenix is the software program used by Zenith's bill review process. There is a fee associated with each bill processed by Ingenix. Glasbern, Inc. and Granger do not dispute that these fees relate to the claim of Angstadt.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

ZENITH INSURANCE COMPANY	:	CIVIL ACTION
	:	
v.	:	
	:	
GLASBERN, INC., and	:	
ALBERT GRANGER	:	NO. 10-5433

JUDGMENT

AND NOW, this 23rd day of August, 2013, based on the answers of the jury to special interrogatories and the court's findings of fact and conclusions of law, it is hereby ORDERED that:

(1) judgment is entered in favor of plaintiff Zenith Insurance Company and against defendants Glasbern, Inc. and Albert Granger, jointly and severally, in the amount of \$1,076,382.37 on plaintiff's claim under the Pennsylvania Insurance Fraud Act;

(2) judgment is entered in favor of plaintiff Zenith Insurance Company and against defendants Glasbern, Inc. and Albert Granger, jointly and severally, on plaintiff's claim under the Pennsylvania Insurance Fraud Act, declaring that Glasbern, Inc. and Albert Granger, jointly and severally, are liable to indemnify plaintiff Zenith Insurance Company for all reasonable medical and other payments made to or on behalf of Jason Angstadt after June 24, 2013 and continuing during his lifetime, pursuant to Zenith Insurance Company Workers Compensation and Employers Liability Insurance Policy No. Z070128302; and

(3) the court will retain jurisdiction with respect to compliance with the declaratory judgment.

BY THE COURT:

/s/ Harvey Bartle III
J.