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STATE OF NEW HAMPSHIRE INSURANCE DEPARTMENT

In re: YourPeople, Inc., dba Zenefits FTW Insurance Services

Consent Order and Agreement

Docket No.: Ins No. 17-020-EP

This Consent Order and Agreement (“Consent Order”) is made between the New Hampshire Insurance Department (“NHID”) and YourPeople, Inc., dba Zenefits FTW Insurance Services (“Zenefits”) the terms of which are as follows:

Findings of Fact

1. Zenefits is a Delaware corporation domiciled in the State of California and is licensed as a non-resident producer in New Hampshire. It is licensed for Property & Casualty, Life and Accident & Health lines and its current license will expire May 31, 2018.

2. Zenefits was founded in 2013 and makes an on-line cloud-based platform that integrates and manages all aspects of small businesses’ human resources, payroll and employee benefits administration and operations. Its insurance services include the sale of group health, life, disability insurance and property and casualty insurance that the customer can offer to their employees. Zenefits employs individuals to make presentations to prospective customers of both its human resources services and the insurance products it offers through its insurance brokerage. The company experienced rapid growth during its first two full years of operation and it was during this time period that insurance producer licensing noncompliance occurred.

3. On November 24, 2015 Zenefits notified the Commissioner that it had identified and would be self-reporting to the NHID potential producer licensing violations in this state, that it was in the process of conducting an extensive audit of the licensing of its resident and non-resident brokers, that it had an ongoing self-correction process in place to correct the licensing noncompliance issues and that it would be issuing a report explaining the corrective measures Zenefits has or will be taking.

4. On or about December 4, 2015 Zenefits hired a national accounting firm to conduct a compliance audit of its producer licensing procedures for the period January 1, 2014 to November 30, 2015. Zenefits self-reported the audit findings to the Commissioner in a very detailed final report on or about March 1, 2016. This report was state specific and described systemic flaws and failures in Zenefits oversight and licensing procedures and quantified instances of employees selling, soliciting and/or negotiating insurance business in New Hampshire without first being properly licensed in violation of RSA 402-J:8.

5. Unlicensed producer sales, solicitations and/or negotiations were comprised of the following:

- a. The insurance producer never had a non-resident license;
- b. The insurance producer had a current resident license but late or missing non-resident license; and
- c. The producer had a late resident license and late or missing non-resident license.

6. Zenefits has expended considerable time, effort and costs to audit its licensing practices and procedures, take appropriate corrective action and remediate past violations in states in which it operates. Zenefits also reports that it has implemented specific internal measures and licensing controls to prevent any future recurrence of licensing violations generally as follows:

- a. Made changes to its top leadership by replacing its CEO, head of sales, reconstituted its Board of Directors and established a dedicated compliance team and Chief Compliance Officer;
- b. Retained a nationally recognized audit firm to determine the scope of licensing noncompliance as well as evaluate the design and effectiveness of new administrative and technical licensing controls. The audit team then tested the new controls and found them adequate to prevent a reoccurrence of unlicensed insurance activity; and,
- c. Mandated that producers complete fifty-two (52) hours of CLE courses, including twelve (12) hours of ethics training,

Conclusions of Law

7. Zenefits admits that it was responsible for ensuring that employees were properly licensed to sell, solicit and/or negotiate insurance business in New Hampshire.

8. Zenefits admits that the instances of employee selling, soliciting and/or negotiating an insurance product as listed in the audit report without first being licensed are separate violations of RSA 402-J:8.

ORDER

WHEREFORE, for the purposes of resolving the above matters without a formal hearing, the NHID orders and Zenefits consents to the following:

A. Zenefits hereby waives all rights to a formal administrative hearing in this matter and agrees that this Consent Order shall have the full force and effect of an Order duly entered in accordance with the adjudicatory procedures provided for in the Administrative Procedure Act, RSA 541-A: 31, or any other applicable statute or administrative law.

B. For the purposes of resolving this matter without a formal hearing Zenefits agrees to pay an administration fine in the amount of twenty-six thousand dollars (\$26,000). The check

must be made payable to "Treasurer, State of New Hampshire," and should be mailed or otherwise delivered to the attention of Carolyn Petersen, New Hampshire Insurance Department, 21 South Fruit Street, Suite 14, Concord, New Hampshire 03301. The check must be received within 10 business days from the date the Commissioner signs the Consent Order. A copy of signed Consent Order will be sent to Zenefits.

C. By entering into this Consent Order the NHID and Zenefits intend to resolve the licensing violations found in the auditor's report of March 1, 2016. The NHID therefore is not prevented from but specifically retains the right to respond to and address any consumer complaint from any source that may be made with respect to Zenefits or its employees regarding the subject matter of a sale, solicitation or negotiation of any insurance related transaction, service or product.

D. This Consent Order shall be deemed a complete settlement and full and final resolution and is in lieu of any other action that could have been brought by the NHID relating to the licensing violations reported hereinbefore. Provided however, notwithstanding the foregoing, the NHID may take any and all appropriate actions should Zenefits violate any provision of the State's insurance laws in the future.

E. This Consent Order shall be fully enforceable in any Superior Court in the State of New Hampshire and any action to enforce this Consent Order shall be governed by the laws of the State of New Hampshire.

IT IS SO ORDERED

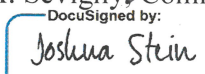
Date: 4-20-17

Date: 4/14/2017

NEW HAMPSHIRE INSURANCE DEPARTMENT



Roger A. Sevigny, Commissioner

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Joshua Stein, General Counsel,
YourPeople, Inc., dba Zenefits FTW Insurance Services