



**IN THE MATTER OF:**

YOURPEOPLE, INC.  
dba Zenefits FTW Insurance Services  
3001 19<sup>th</sup> Street, Suite 201  
San Francisco, California 94110

**STIPULATION AND CONSENT ORDER**

WHEREAS, the Illinois Department of Insurance (the "Department") is an agency of the State of Illinois. Among other things, the Department, through the Acting Director of Insurance (the "Acting Director"), has the authority to enforce the provisions of the Illinois Insurance Code (the "Insurance Code") (215 ILCS 5/1 *et seq.*), and to impose any penalty or remedy against any person who is under investigation for or charged with a violation of the Insurance Code or its applicable rules under Title 50 of the Illinois Administrative Code ("Department Rules");

WHEREAS, YourPeople, Inc., dba Zenefits FTW Insurance Services ("Zenefits") is a licensed business entity in the State of Illinois;

WHEREAS, Zenefits was first licensed as a non-resident business entity on December 31, 2013;

WHEREAS, Zenefits is aware of the actions, steps, and remedies which the Director of Insurance is authorized to take under Section 500-70 of the Illinois Insurance Code (215 ILCS 5/500-70);

WHEREAS, Zenefits is advised that the Department has caused an investigation to be commenced to determine whether such causes and conditions exist as would authorize the Acting Director to take such actions and steps or pursue such remedies as are provided in Section 500-70 of the Illinois Insurance Code (215 ILCS 5/500-70);

WHEREAS, the Department recognizes that Zenefits self-reported alleged violations of the Illinois Insurance Code, cooperated with the aforementioned investigation, improved in-house producer licensing training programs, and instituted changes to both management and its corporate governance, including the creation of a Chief Compliance Officer position that reports directly to the CEO and Board of Directors;

WHEREAS, Zenefits is aware of and understands the nature of this investigation and the charges and their various rights in connection therewith, including the right to counsel, notice, hearing, and appeal under Section 500-70 of the Illinois Insurance Code (215 ILCS 5/500-70) and Part 2402, Title 50 of the Illinois Administrative Code (50 Ill. Adm. Code 2402); and

WHEREAS, Zenefits does not admit to violations of the Illinois Insurance Code or Title 50 of the Illinois Administrative Code, but for the purpose of resolving all matters raised by the investigation without the necessity of an administrative hearing, enters into this Stipulation and Consent Order;

NOW THEREFORE, IT IS agreed by and between Zenefits and the Acting Director as follows:

- I. To waive the Notice and Hearing as required under Section 500-70 of the Illinois Insurance Code (215 ILCS 5/500-70).
- II. To stipulate that the Acting Director alleges the following:
  - A. On November 19, 2015, representatives from Zenefits met with Department officials, including the Acting Director, and assured the Department that Zenefits had no issues related to licensing;
  - B. On November 24, 2015, counsel for Zenefits sent an e-mail to the Acting Director indicating that a compliance issue regarding licensing at Zenefits would be receiving press attention shortly; that Zenefits was investigating the matter and had been working to remedy compliance and non-resident licensing issues for several months; and that Zenefits would provide state-specific reports to the Department and the insurance regulators in every state where such an issue arose;
  - C. On December 11, 2015, counsel for Zenefits sent a follow-up e-mail to the Acting Director to inform the Department that Zenefits was in the midst of a review and self-assessment of its insurance licensing compliance and internal controls and that Zenefits had engaged a public accounting firm to review the producer licensing issue, advise on enhancement of internal controls, and issue two reports;
  - D. On February 1, 2016, Zenefits provided the Department with an interim report describing the investigation that was underway and indicated that it hoped to provide a detailed report to the Department by March, 1, 2016;

- E. On February 8, 2016, Parker Conrad, the CEO and Designated Responsible Licensed Producer (“DRLP”) for Zenefits resigned;
- F. Zenefits failed to designate a new DRLP with the Department until March 7, 2016;
- G. On March 3, 2016, Zenefits provided the Department with access to the Licensing Compliance Final Report (“Final Report”) dated March 1, 2016;
- H. The Final Report estimated that there were 441 transactions involving Illinois customers from January 1, 2014, to November 30, 2015, that involved the sale, solicitation, or negotiation of insurance, and thus required Zenefits employees to hold an Illinois insurance producer license;
- I. The Final Report estimated that 279 of those transactions involved situations where Zenefits employees were not properly licensed, including: 208 instances where the Zenefits employee was properly licensed in his or her home state, but did not have an Illinois non-resident license; 56 instances where the Zenefits employee was not properly licensed in his or her home state and did not have an Illinois non-resident license; and 15 instances where the Zenefits employee was never licensed as an insurance producer;
- J. The Final Report detailed the company’s actions in obtaining non-resident licenses for current employees who had participated in insurance transactions prior to obtaining the requisite license; stated that Zenefits created a Chief Compliance Officer position that reports directly to the new CEO and Board of Directors; stated that the new position was filled by a former federal prosecutor; and indicated Zenefits had upgraded its in-house producer licensing training programs, changed the company leadership, and changed the corporate governance;
- K. On March 7, 2016, Zenefits designated Jeff Hazard as the DRLP for Zenefits;
- L. On March 10, 2016, the Department informed Zenefits that it was opening a producer regulatory investigation of Zenefits and requested detailed data for each of the 279 transactions noted in the Final Report, including the dates of the transactions, names of company employees involved in the transactions, status of the employee’s resident and Illinois licenses, a description of the transaction, and names of the clients involved;
- M. On March 22, 2016, Zenefits provided the Department with the additional information being sought, including an explanation that the information pertained only to 197 customer specific and identifiable transactions, and that the balance of the 279 transactions were calculated or presumed violations based upon statistical sampling of transactions nationwide;

- N. The additional data provided regarding identifiable transactions revealed that 92 different Zenefits employees were involved in the unlicensed sale, solicitation, or negotiation of insurance in Illinois and that 65 of those employees were still employed by Zenefits as of the date of the Final Report;
- O. On October 13, 2016, Zenefits provided an update regarding the new licensing controls that were instituted, stated that the new controls were working to prevent recurrence of the licensing issues that had been reported, and reported additional transactions in which the employee did not have a proper license that occurred between March 1, 2016, and June 30, 2016;
- P. Between July 18, 2016, and December 12, 2016, Zenefits entered into Consent Orders and other similar settlements with Tennessee, South Carolina, New Jersey, Arizona, Minnesota, Washington, Idaho, Texas, Louisiana, Georgia, Oregon, California, Maryland, Florida, Virginia, and Missouri to resolve similar allegations as those alleged by the Acting Director.

III. Zenefits consents to entry of the following Order based upon the above stipulations.

NOW THEREFORE, IT IS HEREBY ORDERED by the undersigned Acting Director, pursuant to Section 500-70 of the Illinois Insurance Code (215 ILCS 5/500-70), that Zenefits:

- A. Shall ensure that all employees engaged in the sale, solicitation, or negotiation of insurance in the this State are properly licensed pursuant to Article XXXI of the Illinois Insurance Code (215 ILCS 5/500-5 *et seq.*);
- B. Shall not provide incorrect, misleading, incomplete, or materially untrue information to the Department;
- C. Shall not accept insurance business from an individual who is not properly licensed;
- D. Shall not engage in any activities that subvert the licensing or pre-licensing education requirements of Illinois, or any other state;
- E. Shall, at all times, maintain a designated DRLP, pursuant to Sections 3115.40(a) and 3121.40(b), Title 50 of the Illinois Administrative Code (50 Ill. Adm. Code 3115.40(a) and 3121.40(b)) with the Department who is responsible for compliance of Zenefits with the Illinois Insurance Code and Title 50 of the Illinois Administrative Code;
- F. Shall comply with the scheduled examination of licensing compliance and pre-licensing education compliance by the California Department of Insurance;

- G. Shall cooperate in good faith with any investigation and enforcement action that the Department may pursue in connection with the conduct of Parker Conrad related to this matter;
- H. Shall be placed on probation through March 31, 2019, or pending verification by the Department of a satisfactory outcome of the scheduled examination of licensing compliance and pre-licensing education compliance by the California Department of Insurance, whichever occurs first;
- I. Shall pay a civil forfeiture of \$560,000.00 for the alleged insurance law violations described in Section II of this Order. In recognition of self-reporting and the remedial measures taken to prevent future licensing violations, \$100,000 of such civil forfeiture shall be suspended until the period of probation described in Paragraph H, Section III of this Order is completed. The remaining \$460,000 shall be payable to the Acting Director of Insurance, State of Illinois, within 30 days of the entry date of this Order.
- J. Should Zenefits comply with all of the terms set forth in Paragraphs A through I of Section III of this Order and not commit any violations of Illinois Insurance laws during the period of probation, the \$100,000 civil forfeiture that is suspended pursuant to Paragraph I, Section III shall be waived.
- K. Should Zenefits fail to comply with any of the terms set forth in Paragraphs A through I of Section III of this Order or commit any violations of Illinois Insurance laws during the period of probation, the \$100,000 civil forfeiture that is suspended pursuant to Paragraph I, Section III shall be due and payable to the Acting Director of Insurance, State of Illinois, within 30 days.

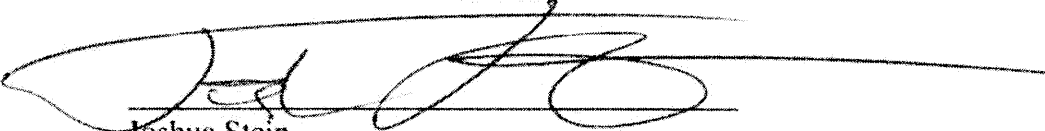
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This Stipulation and Consent Order resolves all matters related to the allegations contained herein. No further licensing or disciplinary action will be taken against Zenefits for the violations reported to date. No further licensing or disciplinary action will be taken against the 92 current or former employees identified as having engaged in the unlicensed sale, solicitation, or negotiation of insurance reported to date.

A material violation of this Stipulation and Consent Order shall subject Zenefits to further administrative action pursuant to Section 407.2 (215 ILCS 5/407.2) and Article XXXI (215 ILCS 5/500-5 *et seq.*) of the Illinois Insurance Code. Failure to pay the civil penalty in accordance with the terms identified in this Order constitutes a material violation of this Stipulation and Consent Order.

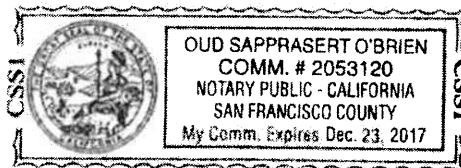
Nothing contained herein shall prohibit the Acting Director from taking any and all appropriate action should Zenefits violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Title 50 of the Illinois Administrative Code.

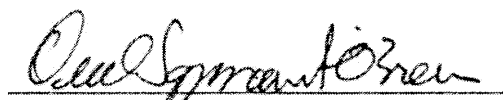
Nothing contained herein shall prohibit the Acting Director from taking any and all appropriate action against the Illinois insurance producer license of Parker Conrad for any violations of the Illinois Insurance Code or Title 50 of the Illinois Administrative Code.

  
Joshua Stein  
on behalf of YourPeople, Inc., dba Zenefits FTW Insurance Services

State of California )  
 ) SS  
County of SAN FRANCISCO )

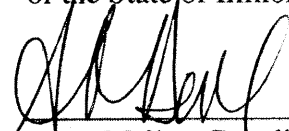
Subscribed and sworn to  
before me this 11<sup>th</sup> day of  
JANUARY, 2017



  
Notary Public

Date: 1/11/17

DEPARTMENT OF INSURANCE  
of the State of Illinois;

  
Anne Melissa Dowling  
Acting Director