

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

CAUSE NUMBER: 16303-MC17-0621-002

IN THE MATTER OF:

YourPeople Inc.,
dba Zenefits FTW Insurance Services
303 2nd Street, Suite 450 North Tower
San Francisco, California 94107

Respondent

Type of Agency Action: Enforcement

Indiana Insurance License No.: 954623

FILED

AUG 03 2017

STATE OF INDIANA
DEPT. OF INSURANCE

FINAL ORDER

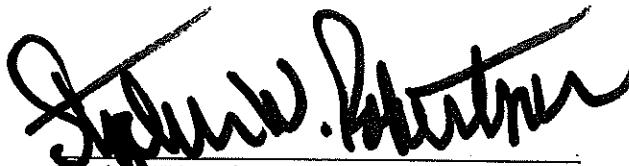
The Indiana Department of Insurance ("Department"), by its counsel, Holly A. Williams, and YourPeople, Inc., dba Zenefits FTW Insurance Services ("Respondent"), a non-resident licensed insurance agency, signed an Agreed Entry which purports to resolve all issues involved in the action by the Department and which has been submitted to the Commissioner of Insurance ("Commissioner") for approval.

The Commissioner, after reviewing the Agreed Entry, finds it has been entered into fairly and without fraud, duress or undue influence, and is fair and equitable between the parties. The Commissioner hereby incorporates the Agreed Entry as if fully set forth herein, and approves and adopts in full the Agreed Entry as a resolution of this matter.

IT IS THEREFORE ORDERED by the Commissioner:

1. Respondent shall pay an administrative penalty in the amount of fifty thousand dollars (\$50,000) to the Department, in aggregate, for the unlicensed sale, solicitation and/or negotiation of 45 policies by its producers.

ALL OF WHICH IS ORDERED this 3rd day of August, 2017

A large, stylized handwritten signature in black ink, appearing to read "Stephen W. Robertson".

Stephen W. Robertson, Commissioner
Indiana Department of Insurance

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STATE OF INDIANA
DEPT. OF INSURANCE

AGREED ENTRY

This Agreed Entry is executed by and between the Enforcement Division of the Indiana Department of Insurance ("Department"), by counsel, Holly A. Williams, and YourPeople, Inc., dba Zenefits FTW Insurance Services ("Respondent"), to resolve all issues in the above-captioned matter. This Agreed Entry is subject to the review and approval of Stephen W. Robertson, Commissioner of the Indiana Department of Insurance ("Commissioner").

WHEREAS, Respondent is a non-resident insurance agency licensed in the State of Indiana, holding license number 954623; and

WHEREAS, Respondent offers a software-as-a-service platform that small business customers can use in the administration of human resources, payroll and employee benefits. Through its software platform, Respondent offers a variety of services to small business employers, including insurance brokerage services. Respondent's insurance services include the sale of group health, life, and disability insurance that small business customers offer to their employees, as well as property and casualty insurance to protect the direct interests of the small

business customers. To provide those services, Respondent employs individuals to make presentations to prospective customers of both its human resources services and the insurance products it offers through its insurance brokerage; and

WHEREAS, Indiana Code § 27-1-15.6-3(a) prohibits the sale, solicitation, or negotiation of insurance in Indiana by any unlicensed person; and

WHEREAS, Indiana Code § 27-1-15.6-3(b) further requires insurers to ensure that any person selling, soliciting, or negotiating insurance in Indiana by any means of communication on behalf of the insurer be licensed; and

WHEREAS, on November 24, 2015, Respondent notified the Department that it had become aware of potential licensing violations associated with its operation in Indiana and that Respondent had commenced an investigation into the matter; and

WHEREAS, on December 11, 2015, Respondent notified the Department that it had retained a nationally-recognized audit firm to independently assess the reports of its violations and assist with a comprehensive review of its insurance activities and licensing controls, and that Respondent would self-report any violations to the Department on or before March 1, 2016; and

WHEREAS, on March 1, 2016, Respondent sent the Department a detailed Final Report produced by the retained audit firm, which concluded that there had been 45 potential licensing violations in the state between January 1, 2014 and November 30, 2015; and

WHEREAS, Respondent thereafter retained the same audit firm to evaluate the design of new administrative and technical licensing controls to ensure that employees who transact insurance business with customers have appropriate resident and non-resident insurance licenses, and that audit firm tested the design of the new controls and determined that they were

adequately designed to address the risk of sales activity being performed by agents without appropriate producer licensure; and

WHEREAS, in order to ensure that the controls were working as designed, Respondent retained the same audit firm in the 3rd quarter of 2016 to review the operation of its licensing controls from March 1, 2016 to June 30, 2016. On October 13, 2016, Respondent provided the audit firm's report of the effectiveness of the new controls to the Department, which concluded that Respondent's controls were operating as designed, with an effectiveness rate of 99.9 percent; and

WHEREAS, after having the efficacy of the new licensing controls tested by the audit firm, Respondent developed and released its updated controls as a free Salesforce application. This application, named "Licensing+", is available to any multi-state insurance brokerage or insurance carrier that utilizes Salesforce as its customer relationship management system and allows third parties to implement the same systemic licensing controls that Respondent developed and uses to maintain compliance with insurance producer licensing requirements. Respondent did this in order to promote compliance within the industry; and

WHEREAS, Respondent has remediated its past violations by obtaining non-resident insurance producer licenses for all current employees who performed the transactions in question; and

WHEREAS, in order to further the professional education of its licensed producers, the company has mandated that all of its producers complete 52 credit hours of continuing education courses offered by the National Association of Health Underwriters ("NAHU"), including 12 hours of ethics training, by the later of 18 months after the date of their hire or March 2017; and

WHEREAS, Respondent has made a series of fundamental changes to its corporate structure and leadership, including: replacing its CEO, head of sales, and several other senior executives; reconstituting its Board of Directors, from a Board of 4 members controlled by the CEO founder to a Board of 6 members of which the majority of the votes are controlled by outside directors; and creating the position of Chief Compliance Officer and building out a significant legal and compliance department; and

WHEREAS, throughout this process, Respondent has cooperated with the Department in the course of the Department's investigation; and


WHEREAS, the Department and Respondent (collectively, the "Parties") desire to resolve their differences and settle their issues without the necessity of a hearing;

IT IS, THEREFORE, NOW AGREED by and between the Parties as follows:

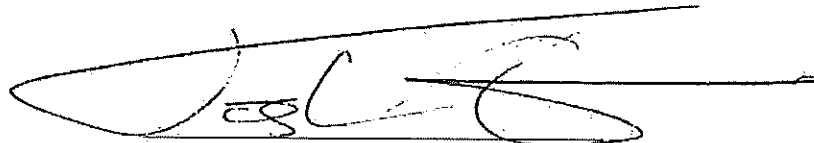
1. The Commissioner has jurisdiction over the subject matter and the Parties to this Agreed Entry.
2. This Agreed Entry is executed voluntarily by the Parties.
3. Respondent voluntarily and freely waives the right to a public hearing on the issues in this matter.
4. Respondent voluntarily and freely waives the right to judicial review of this matter.
5. Respondent shall pay an administrative penalty in the amount of fifty thousand dollars (\$50,000) to the Department within thirty (30) days of the Commissioner's Final Order adopting this Agreed Entry.
6. The Department agrees to accept Respondent's compliance with the agreement as full satisfaction of this matter.

7. Respondent has carefully read and examined this agreement and fully understands its terms.
8. Respondent has entered into this agreement freely and has not been subject to duress, threat or undue influence.
9. Should this Agreed Entry not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Entry by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation in or resolution of these proceedings.
10. Respondent is aware that failure to comply with any term of this agreement will result in the matter being set for hearing.

8/2/17
Date Signed


Holly A. Williams
Deputy General Counsel
Indiana Department of Insurance

7/31/17
Date Signed


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