

No. 2016 - 4717

**OFFICIAL ORDER  
of the  
TEXAS COMMISSIONER OF INSURANCE**

Date: OCT 11 2016

**Subject Considered:**

YOURPEOPLE, INC.  
dba ZENEFITS FTW INSURANCE SERVICES  
303 2nd Street, Suite 450  
San Francisco, California 94107

**CONSENT ORDER**  
TDI ENFORCEMENT FILE NO. 10683

**General remarks and official action taken:**

The commissioner of insurance considers whether disciplinary action should be taken against YourPeople, Inc., dba Zenefits FTW Insurance Services (Zenefits).

**Waiver**

Zenefits acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Zenefits waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

**Findings of Fact**

1. YourPeople, Inc., organization identification no. 90463, holds a non-resident general lines agency license with a life, accident, and health qualification issued by the Texas Department of Insurance on June 2, 2014, and a property and casualty qualification issued by TDI on August 6, 2014. YourPeople, Inc. also holds a life agency license issued by TDI on June 2, 2014.
2. On September 4, 2014, YourPeople, Inc. registered the alias "Zenefits FTW Insurance Services" with TDI.
3. Zenefits offers a cloud-based, software-as-a-service platform for small business customers that integrates the administration of human resources, payroll, and employee benefits. Through this service platform, customers are able to purchase insurance products or transfer existing policies to Zenefits as broker of record.


4. Zenefits experienced rapid growth after launching in 2013. In its first few years, Zenefits' corporate culture and values were not focused on compliance with state licensing requirements. As a result, Zenefits failed to ensure that all of its employees doing the business of insurance in Texas: (1) held an individual license issued by TDI; and (2) were either individually appointed with insurers or were appointed as subagents of Zenefits, thereby allowing them to conduct business under Zenefits' appointments with insurers. Therefore, on a multitude of occasions over its first two years, Zenefits employees did the business of insurance in Texas when they were not authorized to do so. Zenefits knew or should have known that this was a violation of Texas insurance laws.
5. From January 1, 2014, to November 20, 2015, Zenefits earned \$1,608,815.16 in commissions from business transacted in Texas.
6. Zenefits admits it initially failed on the corporate level to put in place compliance measures to ensure that all employees maintain the proper authorizations. Zenefits has taken multiple steps to rectify this issue, including the following:
  - a. Zenefits retained a national Big Four accounting firm to conduct an independent review of its past transactions that required licensure and to evaluate the design of its new licensing controls. A report of those findings was provided to TDI.
  - b. Zenefits made several changes to its corporate structure including replacing its CEO and head of sales; reconstituting its Board of Directors; instituting the position of a Chief Compliance Officer; and creating a team of 12 personnel dedicated to compliance issues. Zenefits asserts that its new leadership has reoriented the company's culture and values to focus on compliance with state regulations.
  - c. Zenefits has confirmed that all current employees who could potentially be called to do the business of insurance in Texas are licensed to do so.
  - d. Zenefits has notified the department by filing the proper forms and has paid the corresponding fee to appoint each agent who is acting as a subagent for the agency.
  - e. Zenefits implemented new administrative and technical licensing controls into its Salesforce software platform that confirm each employee holds the appropriate resident and non-resident licenses before he or she transacts the business of insurance. After having the efficacy of the new licensing controls tested by the national accounting firm, Zenefits released updated controls as a free Salesforce app (called Licensing+) for third party entities to utilize and to promote compliance in the industry.
7. Parker Conrad, the co-founder of Zenefits, resigned from his positions as the Chief Executive Officer and a Board Member of Zenefits, effective February 8, 2016. Conrad has no continuing employment relationship with Zenefits and the company agrees not to employ Conrad in the future. Conrad has no continuing control of Zenefits. While he remains a minority shareholder, with most of the rights of other shareholders with the same classes of

stock, Conrad contractually restricted his voting rights so that he has no individual voting rights to elect, designate, or otherwise influence the selection of board members of Zenefits.

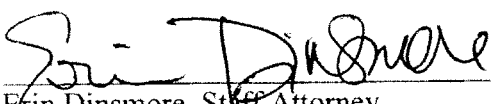
### Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE chs. 82, 84, 101, 4005, 4051, and 4054; and TEX. GOV'T CODE §§ 2001.051-2001.178.
2. The commissioner has the authority to dispose of this case informally pursuant to TEX. GOV'T CODE § 2001.056, TEX. INS. CODE §§ 36.104 and 82.055, and 28 TEX. ADMIN. CODE § 1.47.
3. Pursuant to TEX. INS. CODE § 4005.101(b)(1), the department may discipline YourPeople, Inc. because it has willfully violated an insurance law of this state.
4. YourPeople, Inc. performed the acts of an agency without first obtaining the required license, in violation of TEX. INS. CODE §§ 101.102, 4001.101, 4051.051, 4054.051, and 4054.301.
5. YourPeople, Inc. permitted its employees to perform the acts of an agent on behalf of the agency without first obtaining the required license, in violation of TEX. INS. CODE §§ 101.102, 4001.101, 4051.051, 4054.051, and 4054.301.
6. YourPeople, Inc. permitted its employees to perform the acts of an agent on behalf of the agency without first obtaining the required appointment, in violation of TEX. INS. CODE §§ 4001.201 and 4001.205.

The commissioner of insurance orders YourPeople, Inc., dba Zenefits FTW Insurance Services, to pay a \$550,000 administrative penalty within 30 days from the date of this order. The administrative penalty must be paid by cashier's check or money order made payable to the "State of Texas." Mail the administrative penalty to the Texas Department of Insurance, Attn: Enforcement Section, Division 40111, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.

  
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David C. Mattax  
Commissioner of Insurance

Approved as to Form and Content:

  
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Erin Dinsmore, Staff Attorney  
Compliance Division, Enforcement Section

Affidavit

STATE OF California

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COUNTY OF San Francisco

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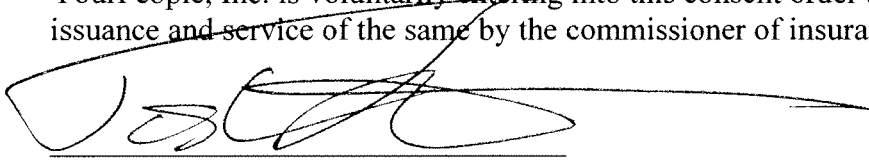
Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

“My name is Joshua Stein. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of VP Legal & Chief Compliance Officer, and am the authorized representative of YourPeople, Inc., dba Zenefits FTW Insurance Services. I am duly authorized by said organization to execute this statement.

YourPeople, Inc. waives rights provided by the Texas Insurance Code and other applicable laws, and acknowledges the jurisdiction of the commissioner.

YourPeople, Inc. is voluntarily entering into this consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas.”



Affiant  
Joshua Stein

~~SWORN TO AND SUBSCRIBED before me on October 5, 2016.~~

(NOTARY SEAL)

Signature

*please see attached  
BB 10-5-16*

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

**CIVIL CODE § 1189**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )

County of San Francisco )

On October 5, 2016 before me, Britney Morgan Briggs, Notary Public,

*Date Here Insert Name and Title of the Officer*

personally appeared Joshua Stein

*Name(s) of Signer(s)*

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature [Handwritten Signature]  
*Signature of Notary Public*

*Place Notary Seal Above*

**OPTIONAL**

*Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.*

**Description of Attached Document**

Title or Type of Document: Affidavit

Document Date: October 5, 2016 Number of Pages: 4

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: Joshua Stein

Corporate Officer — Title(s): VP Legal & CCO

Partner —  Limited  General

Individual  Attorney in Fact

Trustee  Guardian or Conservator

Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

Corporate Officer — Title(s): \_\_\_\_\_

Partner —  Limited  General

Individual  Attorney in Fact

Trustee  Guardian or Conservator

Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_