

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, NOVEMBER 21, 2016

SCC-CLERK'S OFFICE  
DOCUMENT CONTROL CENTER

2016 NOV 21 P 2:43

161130168

COMMONWEALTH OF VIRGINIA, *ex rel.*  
STATE CORPORATION COMMISSION

v.

CASE NO. INS-2016-00249

YOURPEOPLE INC., D/B/A  
ZENEFITS FTW INSURANCE SERVICES,  
Defendant

SETTLEMENT ORDER

The Bureau of Insurance ("Bureau") of the Virginia State Corporation Commission ("Commission") conducted an investigation of YourPeople Inc., d/b/a Zenefits FTW Insurance Services ("Zenefits" or "Defendant"), pursuant to § 38.2-1809 of the Code of Virginia ("Code").

Zenefits is a Delaware corporation, with its principal place of business in San Francisco California, and currently licensed in the Commonwealth of Virginia ("Virginia") as a nonresident business entity insurance producer.

Zenefits offers a software-as-a-service software platform that small business customers can use in the administration of human resources, payroll, and employee benefits. Through its software platform, Zenefits offers a variety of services to small business employers including insurance brokerage services in connection with the offer and sale of group health, life and disability insurance as well as property and casualty insurance. As part of its sales practices, Zenefits employs sales representatives to make presentations to prospective customers of both its human resources services and the insurance products it offers through its insurance brokerage.

As a part of Zenefits's rapid growth in a short period of time, Zenefits failed to ensure that its sales representatives were licensed and appointed in Virginia. Under prior management,

Zenefits knowingly permitted its sales representatives to conduct unlicensed and unappointed sales activity in Virginia. In addition, Zenefits paid its sales representatives commissions in connection with these sales.

On November 24, 2015, Zenefits notified the Bureau that it had become aware of potential licensing violations associated with its operations in Virginia. On December 11, 2015, Zenefits provided notification that it had engaged a private accounting firm to provide an independent review of its insurance activities, the results of which were detailed in a report ("Report") to the Bureau dated March 1, 2016.

Among other things, the Report identified 532 specific instances in which, during calendar years 2014 and 2015, Zenefits knowingly allowed its sales representatives to sell insurance in Virginia without being properly licensed and appointed. In addition to identifying instances of unlicensed and unappointed sales activity, the Report outlined Zenefits's new management controls and compliance infrastructure designed to prevent any recurrence of non-compliance with licensing and appointment statues. In addition, Zenefits has made a series of changes to its top leadership by replacing its CEO and its head of sales, as well as creating the position of Chief Compliance Officer and establishing a compliance team with 12 dedicated compliance employees.

Based on its investigation, Zenefits committed 532 violations of subsections § 38.2-1822 A and B of the Code by knowingly permitting unlicensed and unappointed sales representatives to sell insurance in Virginia. In addition, the Bureau alleges that Zenefits committed 532 violations of § 38.2-1812 A of the Code by paying commissions to its sales representatives when they were not duly licensed and appointed.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1831 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendant has been advised of its right to a hearing in this matter whereupon the Defendant has waived its right to a hearing, agreed to pay a monetary penalty in the amount of \$106,400, and agreed to comply with the corrective action plan outlined in the Report.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendant pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Bureau, is of the opinion that the Defendant's offer should be accepted.

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendant in settlement of the matter set forth herein is hereby accepted.
- (2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: YourPeople Inc., d/b/a Zenefits FTW Insurance Services, 303 2<sup>nd</sup> Street, Suite 450 North Tower, San Francisco, California 94107; Thomas Welsh, Esquire, Orrick, Herrington & Sutcliffe, LLP, 400 Capitol Mall, Suite 3000, Sacramento, California 95814-4497; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Michael Beavers.