

**State of Rhode Island and Providence Plantations  
DEPARTMENT OF BUSINESS REGULATION  
*Insurance Division*  
1511 Pontiac Avenue, Bldg. 69-2  
Cranston, Rhode Island 02920**

**IN THE MATTER OF:**

**YourPeople, Inc. dba Zenefits FTW Insurance  
Services**

**RESPONDENT.**

**NPN. 17076225**

**CONSENT AGREEMENT**

It is hereby agreed between the Rhode Island Department of Business Regulation ("Department") and YourPeople, Inc. dba Zenefits FTW Insurance Services ("Producer") as follows:

**General Stipulations**

1. Producer is a Delaware corporation licensed in the State of Rhode Island since January 7, 2014 with Property, Casualty, Health, Accident or Sickness, and Life lines of authority which expire on May 31, 2018.
2. Through proprietary software, Zenefits offers a wide variety of services to small business employers, including insurance brokerage services. Zenefits' 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, 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.

3. R.I. Gen. Laws § 27-2.4-3 forbids the sale, solicitation, or negotiation of insurance without a license.

4. On November 24, 2015, Zenefits notified the State of Rhode Island that it had become aware of potential licensing violations associated with its operation in the state. On December 11, 2015, Zenefits provided notification that it had engaged a nationally recognized audit firm to assist with a comprehensive review of insurance activities. The results of that review were detailed in a report presented to the Department dated March 1, 2016 (“the March Report”).

5. The March Report concluded that there had been 15 potential licensing violations in the state between January 1, 2014 and November 30, 2015 based on the company’s interpretation of when a license would have been required.

#### **Remediation by Zenefits**

6. Zenefits’ new leadership has undertaken a number of steps to remedy the unlicensed activity and to ensure that such activity is not repeated. That remediation includes having a third party auditor produce a report detailing its licensing violations; implementing new internal controls; remediating past violations; ensuring that its producers are properly educated; and, updating its corporate governance policies.

7. Zenefits retained a nationally recognized audit firm to independently assess the reports of its violations, as well as to evaluate the new licensing controls to ensure compliance. The audit firm tested the design of the new controls and determined that these controls are adequately designed to address the risk of sales activity being performed by agents without appropriate producer licensure. Zenefits 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, Zenefits provided the audit firm's report of the effectiveness of the new controls to the State of Rhode Island, which concluded that Zenefits controls were operating as designed. Zenefits then released its updated controls as a free Salesforce app, and it is available to any multi-state insurance brokerage that utilizes Salesforce as its customer relationship management system.

8. Zenefits worked to ensure compliance with Rhode Island law by obtaining non-resident Rhode Island insurance producer licenses for all current employees that performed the transactions in question.

9. To ensure that its licensed producers are properly trained, 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 one year after the date of their hire or the end of March, 2017.

10. Zenefits has made a series of changes to its corporate structure and leadership. Zenefits replaced its CEO, head of sales and several other senior executives. The company reconstituted its Board of Directors, from a Board of 4 members controlled by the CEO founder to a Board of 6 members of which 2/3 of the votes are controlled by outside directors. Further, the company created the position of Chief Compliance Officer and built out a significant compliance department.

11. Zenefits has fully cooperated with the Department's investigation.

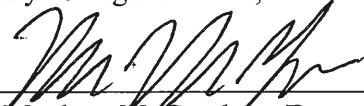
### **Agreement**

THEREFORE, based on the foregoing, the Producer and the Department have agreed to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

1. The Producer agrees to conform to Rhode Island statutory insurance law and the Department's regulations.
2. The Producer agrees to pay a civil penalty of \$15,000 under R.I. Gen Laws § 27-2.4-3 within 14-days of executing this agreement.
3. The Department will monitor compliance by the Producer with this Consent Agreement on an ongoing basis. The parties agree that noncompliance could result in further action by the Department.

The Department and the Producer hereby consent and agree to the foregoing on their own behalf and on behalf of the Department on this 7<sup>th</sup> day of March, 2017.

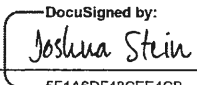
Department of Business Regulation  
By its Legal Counsel,



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Matthew M. Gendron, Esq.

YourPeople, Inc. dba Zenefits FTW Insurance  
Services By its General Counsel,

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Joshua Stein, Esq.