

STATE OF NORTH DAKOTA  
BEFORE THE INSURANCE COMMISSIONER

In the Matter of )  
 )  
YourPeople, Inc. dba )  
Zenefits FTW Insurance Services, )  
NPN 17076225, )  
 )  
Respondent. )

CONSENT ORDER  
CASE NO. AG-17-712

**TO: YourPeople Inc., dba Zenefits FTW Insurance Services, c/o Joshua Stein,  
303 Second Street, Suite 450 North Tower, San Francisco, CA 94107**

Insurance Commissioner Jon Godfread (“Commissioner”) has determined as follows:

1. As a result of information obtained by the North Dakota Insurance Department (“Department”) regarding the conduct of YourPeople Inc., dba Zenefits FTW Insurance Services, NPN 17076225 (“Respondent”), which is presently and has been at all relevant times, a licensed nonresident business entity insurance producer, the Commissioner has considered initiating administrative proceedings regarding Respondent’s conduct as alleged below and regarding the imposition of a civil penalty or any other action the Commissioner deems necessary. Respondent’s conduct is alleged to be in violation of N.D.C.C. §§ 26.1-26-03 and 26.1-26-04.

2. N.D.C.C. chapter 26.1-26 regulates the licensing and conduct of business entity insurance producers.

3. N.D.C.C. § 26.1-26-03 provides:

**26.1-26-03. License required - Acting as insurance  
producer or consultant without license prohibited -**

**Penalty.** No person may act as or hold oneself out to be an insurance producer, insurance consultant, or surplus lines insurance producer unless licensed under this chapter. A person may not sell, solicit, or negotiate insurance in this state for any class of insurance unless the person is licensed for that line of authority in accordance with this chapter. Any person willfully violating this section is guilty of a class C felony.

4. N.D.C.C. § 26.1-26-04(1) provides:

**26.1-26-04. Commissions.**

1. An insurance company or insurance producer may not pay a commission, service fee, brokerage, or other valuable consideration to a person for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed under this chapter and is not licensed.

5. 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.

6. Zenefits experienced rapid growth after launching in 2013. During this time, Zenefits failed to ensure that all of its employees participating in the business of insurance in North Dakota had the appropriate licensures in place.

7. The Commissioner has come into information stating that Respondent has violated N.D.C.C. § 26.1-26-03. Respondent self-reported to the Department that it knew of one instance from January 1, 2014, to November 30, 2015, where one of Respondent's employees sold, solicited, or negotiated insurance in North Dakota without holding a nonresident North Dakota insurance producer license. This act

constitutes a violation of N.D.C.C. § 26.1-26-03 and is punishable by a fine of up to \$10,000 pursuant to N.D.C.C. § 26.1-01-03.3.

8. Respondent also self-reported to the Department that it believes there were approximately three other incidents from January 1, 2014, to November 30, 2015, where one of Respondent's employees sold, solicited, or negotiated insurance in North Dakota without holding a nonresident North Dakota insurance producer license. These three acts each constitute a violation of N.D.C.C. § 26.1-26-03 and are punishable by a fine of up to \$10,000 per violation pursuant to N.D.C.C. § 26.1-01-03.3.

9. The Department also learned during its investigation of this matter that there was one instance of Respondent paying a commission to an individual for selling insurance on behalf of Respondent when that individual was not appropriately licensed to sell insurance in North Dakota. This act constitutes a violation of N.D.C.C. § 26.1-26-04 and is punishable by a fine of up to \$10,000 pursuant to N.D.C.C. § 26.1-01-03.3.

10. Since approximately December 2015, Zenefits has been engaged in identifying and correcting deficiencies in its process of ensuring compliance with state insurance licensing requirements. Zenefits represented to the Department that it has taken numerous remedial measures to address its agent licensing issues including changes in management, corporate governance and employee training. Zenefits also implemented new administrative and technical licensing controls into its software platform that confirms each employee holds the appropriate resident and nonresident licenses before that person transacts the business of insurance. Zenefits also hired PricewaterhouseCoopers to conduct an independent review of Zenefits' agent licensing procedures.



11. Respondent acknowledges that at the time of signing the Consent to Entry of Order, it was aware of or had been advised of the right to a hearing in this matter, to consult an attorney, to present argument to the Commissioner, to appeal from any adverse determination after a hearing, and Respondent expressly waives those rights.

12. For purposes of resolving this matter without further administrative proceedings, Respondent has agreed to enter into the following order.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondent agrees to pay a fine in the amount of \$10,000 payable by money order, cashier's check, or credit card to the North Dakota Insurance Department within 20 days of the effective date of this Order. No administrative fine or other civil penalty is imposed.

2. The use of this Consent Order for competitive purposes by an insurance agent or agency holding a license in the State of North Dakota, or by any company holding a Certificate of Authority, or by anyone on their behalf, may be deemed unfair competition and be grounds for suspension or revocation of said license or authority.

DATED at Bismarck, North Dakota, this 9<sup>th</sup> day of March, 2017.



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Jon Godfread  
Insurance Commissioner  
State of North Dakota

**CONSENT TO ENTRY OF ORDER**

The undersigned, Joshua Stein for **YourPeople, Inc. dba Zenefits**

**FTW Insurance Services**, states that he has read the foregoing Consent Order, that

he knows and fully understand its contents and effect; that he has been advised of Zenefits' right to a hearing in this matter, its right to be represented by legal counsel, its right to present evidence and arguments to the Commissioner, and its right to appeal from an adverse determination after hearing; and that by the signing of this Consent to Entry of Order he waives those rights in their entirety, and consents to entry of this Order by the Commissioner. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties, there being no other promises or agreements, either expressed or implied.

DATED this 7<sup>th</sup> day of March, 2017.



YourPeople, Inc.  
dba Zenefits FTW Insurance Services

Print Name: Joshua Steh

Title: General Counsel & Secretary

State of CALIFORNIA  
County of SAN FRANCISCO

Subscribed and sworn to before me this 7<sup>th</sup> day of MARCH, 2017.

Deed Sapprasert O'Brien  
Notary Public

My commission expires: 12/23/2017

