

LAWRENCE G. WASDEN
Attorney General

JUDY L. GEIER, ISB No. 6559
Deputy Attorney General
State of Idaho
Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Telephone: (208) 334-4204
Facsimile: (208) 334-4298
judy.geier@doi.idaho.gov

FILED
OCT 25 2016 *KL*
Department of Insurance
State of Idaho

Attorneys for the Department of Insurance

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
STATE OF IDAHO

IDAHO DEPARTMENT OF INSURANCE,

Complainant,
vs.

YOURPEOPLE INC. DBA ZENEFITS FTW
INSURANCE SERVICES,
Nonresident Producer License No. 488315,

Respondent.

Docket No. 18-3170-16

**STIPULATION FOR ENTRY OF
FINAL ORDER AND FINAL
ORDER**

The parties herein, namely the Idaho Department of Insurance (“**Department**”) and its counsel of record, Judy L. Geier, Deputy Attorney General, and YourPeople Inc., dba Zenefits FTW Insurance Services (“**Respondent**”) and its counsel of record, Peter Walsh, of the firm Hogan Lovells US LLP, do hereby enter into this Stipulation for Entry of Final Order (“**Stipulation**”) to resolve certain matters at issue between them and, in lieu of further litigation of such matters, do hereby stipulate and agree as follows:

I. JURISDICTION

1. Jurisdiction is founded in the Idaho Insurance Code, Idaho Code §§ 41-101 *et seq.*, including Idaho Code § 41-210, which authorizes the Department's Director ("**Director**") to enforce the provisions of title 41, Idaho Code., including those that relate to Respondent's activities as a nonresident producer.

2. Jurisdiction is further founded in Idaho Code § 41-213, which authorizes the Department to institute such proceedings as deemed necessary for the enforcement of any provision of the Idaho Insurance Code, including but not limited to suspension or revocation of insurance licenses and the imposition of administrative penalties.

3. Respondent is a Delaware corporation that holds, and at all relevant times held, Nonresident Producer License No. 488315, which license is due to expire on July 1, 2018. Respondent first became licensed with the Department on June 9, 2014.

II. STATEMENT OF UNDISPUTED FACTS

4. On or about November 24, 2015, Respondent alerted the Director, along with other state insurance regulators nationwide, that the company had identified and would be self-reporting a number of producer licensing compliance issues and that the company was initiating an internal audit.

5. On or about December 2015, Respondent hired a national accounting firm to conduct a compliance review of its licensing procedures. The accounting firm presented a report on or about March 1, 2016, that described systemic flaws in Respondent's oversight and licensing procedures and revealed that some employees were selling, soliciting and/or negotiating insurance business in several states, including Idaho, without first obtaining proper nonresident licensing.

6. On or about March 22, 2016, Respondent self-reported to the Department that it had allowed certain unlicensed employees to sell, solicit or negotiate insurance in Idaho.

7. On June 10, 2016, the Department filed and served upon the Respondent a Verified Complaint and Notice of Right to Hearing (“**Verified Complaint**”) as Docket No. 18-3170-16, The Department contended, among other claims, that Respondent knowingly accepted insurance business from employee(s) who were not licensed at the time the business was generated and that Respondent paid a “commission, service fee or other valuable consideration” to an employee who sold, solicited or negotiated insurance in this state without a license. Such conduct violates Idaho Code §§ 41-1016(1)(I) and 41-1017.

8. Respondent made similar self-reporting disclosures regarding unlicensed activities by its employees to other states, several of which thereafter initiated investigations into Respondent’s activities within their respective states.

9. While in discussions with the Department to resolve the claims asserted in Idaho, Respondent also negotiated with other states to resolve similar claims being investigated in those jurisdictions.

10. Respondent actively and timely reported to the Department the following consent orders:

a. On or about July 18, 2016, the Commissioner of Commerce and Insurance for the State of Tennessee entered into a Consent Order with Respondent in the matter of TID No. 16-22, finding that Respondent violated Tenn. Code. Ann. § 56-6-112(a)(13) by “knowingly accepting insurance business from an individual who is not licensed[.]” The consent order required Respondent to pay a civil penalty of \$62,500.

b. On or about August 2, 2016, the State of South Carolina Department of Insurance entered into a Consent Order with Respondent in the matter of Case No. 16-5129,

finding that Respondent violated Section 38-43-20 when it allowed unlicensed employees to sell insurance in the state of South Carolina. The Consent Order required Respondent to pay a civil penalty of \$29,500.

c. On or about September 6, 2016, the State of Arizona Department of Insurance entered into a Consent Order with Respondent in the matter of Case No. 16A-116-INS, finding that Respondent's conduct constituted "using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business" in the state of Arizona in violation of A.R.S. §§ 20-295(A)(8) and (B). The Consent Order required Respondent to pay a civil penalty of \$15,000.

d. On or about September 7, 2016, the Commissioner of Commerce for the State of Minnesota entered into a Consent Order with Respondent in the matter of E-Case No. 1615, finding that Respondent violated Minn. Stat. §§ 45.027, 60K.32, and 60K.43, subd.1 (8) (12) and Minn. Rule 2795.0800 when it allowed unlicensed employees to sell insurance in the state of Minnesota; failed to ensure its employees were in compliance with Minnesota laws and rules; and failed to establish, maintain, and enforce written procedures to ensure proper supervision of its employees. The Consent Order required Respondent to pay a civil penalty of \$100,000.

e. On or about August 31, 2016, the State of New Jersey Department of Banking and Insurance entered into a Consent Order, Order No. E16-77, with Respondent finding that Respondent violated N.J.S.A. §§ 17:22A-40a (2),(8) and (12), N.J.S.A. 17:22 A-29, N.J.A.C. 11:17A-13(d), N.J.A.C. 11:17A-1.4(a) and N.J.A.C. 11:17A-1.6(c) when it allowed unlicensed employees to sell insurance in the state of New Jersey; knowingly accepted insurance business from such unlicensed employees; and failed to examine the credentials of its employees to determine each complied with New Jersey's laws and rules among other violations. The Consent Order required Respondent to pay a civil penalty of \$100,000.

11. Respondent represented that it has actively taken steps to remediate the past conduct by implementing new controls to prevent the recurrence of violations including:

a. Requiring all current employees that performed the transactions in question as self-reported by Respondent to obtain a nonresident producer license;

b. Implementing new administrative and technical licensing controls to ensure that employees who transact insurance business with customers have appropriate resident and nonresident licenses;

c. Requiring that all of its producers complete fifty-two (52) hours of continuing education courses, including ethics courses;

d. Replacing its top leadership, creating the position of Chief Compliance Officer, and establishing a compliance team; and

e. Retaining a national accounting firm, to test the operations of the new licensing controls in the third quarter of 2016 and report the results to the Department.

III. CONCLUSIONS OF LAW

12. Idaho Code § 41-1004(1) prohibits any person from selling, soliciting or negotiating insurance in the state of Idaho “for any class or classes of insurance unless the person is licensed as a producer for that line of authority in accordance with” chapter 10, title 41, Idaho Code.

13. Idaho Code § 41-1016(1)(I) provides that the Director may suspend, revoke, or refuse to issue a license pursuant to chapter 10, title 41, Idaho Code, and/or may issue an administrative penalty to any licensee who “knowingly accept[s] insurance business from an individual who is not licensed.”

14. Idaho Code § 41-1017(1) authorizes the Director to impose an administrative penalty on any insurance company or insurance producer who pays a “commission, service fee or

other valuable consideration to a person for selling, soliciting or negotiating insurance in this state if the person is not duly licensed...”

15. The Statement of Undisputed Facts contained herein indicates that Respondent accepted insurance business in violation of Idaho Code § 41-1016(1)(D).

IV. THE AGREEMENT

16. In lieu of proceeding to a hearing, Respondent and the Department agree to resolve as between them the matters as self-reported by Respondent and as delineated in the Verified Complaint through this stipulated settlement. As such, the Parties stipulate and agree as follows:

17. Respondent shall be issued an administrative penalty in the amount of Twenty Five Thousand Dollars (\$25,000), which amount shall be paid in full within ten (10) business days of the date of the Final Order approving this Stipulation.

18. The Department and Respondent each agree that this Stipulation is a full and final settlement of the issues raised by Respondent’s self-reporting as articulated in the Verified Complaint.

19. This Stipulation and Final Order embodies the entire agreement between the Department and Respondent, and there are no agreements, understandings, representations or warranties that are not expressly set forth herein.

20. Respondent knowingly and voluntarily waives any rights it would otherwise have to litigate the matters and issues addressed herein, including but not limited to the rights afforded by Idaho Code § 41-232A, which provides for: the right to a hearing; the right to be represented at a hearing by counsel chosen and retained by Respondent; the right to present a defense, oral and documentary evidence and to cross-examine witnesses at such hearing; and the right to seek judicial review.

21. Respondent understands that this Stipulation and the Final Order approving this

Stipulation shall be reported to the Regulatory Information Retrieval System (“RIRS”) maintained by National Association of Insurance Commissioners (“NAIC”).

22. Upon the Director’s entry of the Final Order approving this Stipulation, this Stipulation and the Final Order shall be a public record under the Idaho Public Records Act.

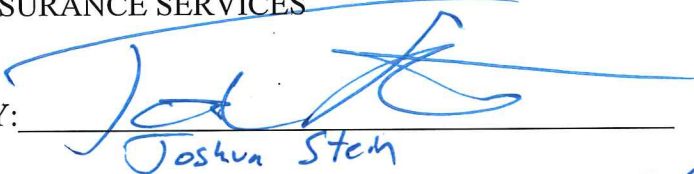
23. This Stipulation is subject to approval by the Director or the Director’s designee, and shall become effective and binding upon the Department and Respondent upon such approval. Should the Director decline to approve this Stipulation, the Department and Respondent shall retain all of their rights, claims and/or defenses, and any factual and/or legal admissions made by Respondent herein shall be withdrawn.

AGREED THIS 5th day of October, 2016.

RESPONDENT:

YOURPEOPLE INC. DBA ZENEFITS FTW
INSURANCE SERVICES

BY:



Joshua Stein

ITS:

VP legal & Chiet Compliance Officer

ACKNOWLEDGEMENT TO FOLLOW

STATE OF CALIFORNIA)

) ss.

County of San Francisco)

On this 5th day of October, 2016, before me, the undersigned, a Notary Public in and for said State, personally appeared Joshua Stein, known or identified to me (or proved to me on the oath of), to be the president, or vice-president, or secretary or assistant secretary, of the corporation that executed the instrument or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

WITNESS MY HAND and official seal hereto affixed the day, month and year in this certificate first above written.

*please see
attached BK
10-5-16*

Notary Public in and for the
State of _____
Residing at _____
My commission expires: _____

APPROVED AS TO FORM:

HOGAN LOVELLS US LLP


By: _____

Peter H. Walsh, Partner
Attorneys for YourPeople Inc. dba
Zenefits FTW Insurance Services

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 G. 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 [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: Stipulation for Entry of Final Order
Document Date: October 5, 2016 Number of Pages: 13
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Joshua G. Stein
 Corporate Officer — Title(s): VP Legal + CLO
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: 2 clients

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

AGREED THIS 6 day of Oct., 2016.

IDAHO DEPARTMENT OF INSURANCE

By: Elaine Mellon
Elaine Mellon, CLU, ChFC
Bureau Chief, Consumer Services
Idaho Department of Insurance

APPROVED AS TO FORM:

OFFICE OF THE ATTORNEY GENERAL
STATE OF IDAHO

By: Judy L. Geier
Judy L. Geier
Deputy Attorney General
Attorney for the Idaho Department of Insurance

FINAL ORDER

NOW, THEREFORE, on the basis of the foregoing, and Respondent's waiver of the right to a hearing and appeal under Idaho Code § 41-232A and the Idaho Administrative Procedures Act, and Respondent's admission of Director's jurisdiction in this matter, the Director finds that Respondent, for the purpose of settling this matter, admits to the Statement of Undisputed Facts and the Conclusions of Law, and agrees to the entry of this Final Order.

IT IS ORDERED, pursuant to Idaho Code §§ 41-1016(1)(I); 41-1017; and 41-117, that:

1. The preceding Stipulation is approved and adopted in full as if set forth herein.
2. Respondent pay a total administrative monetary penalty of Twenty Five Thousand Dollars (\$25,000). Payment shall be made within ten (10) business days of the date of this Final Order, and payment shall be mailed to:

Idaho Department of Insurance
Attn: Mandy Ary, Paralegal
700 W. State Street – 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043

3. Respondent, in coordination with the national accounting firm that produced the prior reports, will test the operations of Respondent's new licensing controls in the third quarter of 2016 and report those results to the Department on or before December 31, 2016.

DATED this 25 day of October, 2016.

STATE OF IDAHO
DEPARTMENT OF INSURANCE


DEAN CAMERON
Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 25 day of OCTOBER, 2016, I caused a true and correct copy of the foregoing *STIPULATION FOR ENTRY OF FINAL ORDER AND FINAL ORDER* to be served upon the following by first class mail:

Peter H. Walsh, Esq.
Hogan Lovells US LLP
80 South Eighth Street, Suite 1225
Minneapolis, MN 55402

Counsel for YourPeople, Inc.
dba Zenefits FTW Insurance Services

AETNA HEALTH OF UTAH INC.
10150 S CENTENNIAL PKWY STE 450
SANDY, UT 84070-4166

AETNA LIFE INSURANCE COMPANY
151 FARMINGTON AVENUE
HARTFORD, CT 06156

ALL SAVERS INSURANCE COMPANY
7440 WOODLAND DRIVE
INDIANAPOLIS, IN 46278-1719

AMERITAS LIFE INSURANCE CORP.
5900 O ST
LINCOLN, NE 68510-2234

BLUE CROSS OF IDAHO HEALTH
SERVICE, INC.
3000 E PINE AVE
MERIDIAN, ID 83642

CHARTER OAK FIRE INSURANCE
COMPANY
ONE TOWER SQUARE
HARTFORD, CT 06183

COVENTRY HEALTH AND LIFE
INSURANCE COMPANY
6705 ROCKLEDGE DR STE 900
BETHESDA, MD 20817-7828

DELTA DENTAL PLAN OF IDAHO, INC.
PO BOX 2870
BOISE, ID 83701-2870

EMPLOYERS ASSURANCE COMPANY
10375 PROFESSIONAL CIRCLE
RENO, NV 89521-4802

EMPLOYERS COMPENSATION
INSURANCE COMPANY
10375 PROFESSIONAL CIRCLE
RENO, NV 89521-4802

EMPLOYERS PREFERRED INSURANCE
COMPANY
10375 PROFESSIONAL CIRCLE
RENO, NV 89521-4802

FIDELITY SECURITY LIFE INSURANCE
COMPANY
3130 BROADWAY
KANSAS CITY, MO 64111-2452

GUARDIAN LIFE INSURANCE
COMPANY OF AMERICA
7 HANOVER SQUARE
NEW YORK, NY 10004-4025

HARTFORD CASUALTY INSURANCE
COMPANY
ONE HARTFORD PLAZA
HARTFORD, CT 06155-0001

LIFEMAP ASSURANCE COMPANY
100 SW MARKET
PORTLAND, OR 97201

LINCOLN NATIONAL LIFE INSURANCE
COMPANY
1300 SOUTH CLINTON STREET
FORT WAYNE, IN 46802

METROPOLITAN LIFE INSURANCE
COMPANY
200 PARK AVENUE
NEW YORK, NY 10166-0188

PHOENIX INSURANCE COMPANY
ONE TOWER SQUARE
HARTFORD, CT 06183

PRINCIPAL LIFE INSURANCE COMPANY
711 HIGH STREET
DES MOINES, IA 50392-2300

PROVIDENT LIFE AND ACCIDENT
INSURANCE COMPANY
1 FOUNTAIN SQUARE
CHATTANOOGA, TN 37402-1330

REGENCE BLUESHIELD OF IDAHO, INC.
1602 21ST AVENUE
LEWISTON, ID 83501-4061

RELIANCE STANDARD LIFE
INSURANCE COMPANY
2001 MARKET ST STE 1500
PHILADELPHIA, PA 19103-7000

SHELTERPOINT INSURANCE COMPANY
600 NORTHERN BLVD STE 310
GREAT NECK, NY 11021-5200

ST. PAUL FIRE AND MARINE
INSURANCE COMPANY
ONE TOWER SQUARE
HARTFORD, CT 06183

ST. PAUL GUARDIAN INSURANCE
COMPANY
ONE TOWER SQUARE
HARTFORD, CT 06183

ST. PAUL MERCURY INSURANCE
COMPANY
ONE TOWER SQUARE
HARTFORD, CT 06183

TRAVELERS CASUALTY AND SURETY
COMPANY
ONE TOWER SQUARE
HARTFORD, CT 06183

TRAVELERS CASUALTY AND SURETY
COMPANY OF AMERICA
ONE TOWER SQUARE
HARTFORD, CT 06183

TRAVELERS CASUALTY INSURANCE
COMPANY OF AMERICA
ONE TOWER SQUARE
HARTFORD, CT 06183

TRAVELERS INDEMNITY COMPANY
ONE TOWER SQUARE
HARTFORD, CT 06183

TRAVELERS INDEMNITY COMPANY OF
AMERICA
ONE TOWER SQUARE
HARTFORD, CT 06183

TRAVELERS INDEMNITY COMPANY OF
CONNECTICUT
ONE TOWER SQUARE
HARTFORD, CT 06183

TRAVELERS PROPERTY CASUALTY
COMPANY OF AMERICA
ONE TOWER SQUARE
HARTFORD, CT 06183

TRUSTMARK LIFE INSURANCE
COMPANY
400 N FIELD DR
LAKE FOREST, IL 60045-4809

UNION SECURITY INSURANCE
COMPANY
PO BOX 419052
KANSAS CITY, MO 64141-6052

UNITED CONCORDIA INSURANCE
COMPANY
4401 DEER PATH ROAD
HARRISBURG, PA 17110

UNITEDHEALTHCARE INSURANCE
COMPANY
185 ASYLUM STREET
HARTFORD, CT 06103

UNUM LIFE INSURANCE COMPANY OF
AMERICA
2211 CONGRESS STREET
PORTLAND, ME 04122

VSP VISION CARE, INC.
3333 QUALITY DR
RANCHO CORDOVA, CA 95670-7985

WILLAMETTE DENTAL OF IDAHO, INC.
6950 NE CAMPUS WAY
HILLSBORO, OR 97124-5611



Kelly Grady