

1 CALIFORNIA DEPARTMENT OF INSURANCE  
LEGAL DIVISION  
2 300 Capitol Mall, 17<sup>th</sup> Floor  
Sacramento, California 95814  
3 Telephone: (916) 492-3500  
Facsimile: (916) 324-1883

4 Attorneys for Dave Jones,  
Insurance Commissioner  
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8 **BEFORE THE INSURANCE COMMISSIONER**  
9 **OF THE STATE OF CALIFORNIA**

10  
11 In the Matter of the License and Licensing  
Rights of:

File No. DISP-2016-00221

12 **YOURPEOPLE, INC.,**

**STIPULATION AND WAIVER**

13 **Doing business as**  
14 **ZENEFITS FTW INSURANCE**  
**SERVICES,**

15 Respondent.  
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19 TO THE DEPARTMENT OF INSURANCE OF THE STATE OF CALIFORNIA:

20 YOURPEOPLE, Inc., doing business as ZENEFITS FTW INSURANCE SERVICES  
21 (“Respondent”), does hereby enter this Stipulation and Waiver in the above-entitled matter and  
22 stipulates as follows:

23 1. Respondent acknowledges receipt of the Order to Show Cause, Statement of  
24 Charges, Accusation, and Notice of Monetary Penalty (“OSC”) as well as a Notice of Defense  
25 Form, and Statement to Respondent in the above-entitled matter.

26 2. Respondent, by entering into this Stipulation and Waiver, does not contest the  
27 Commissioner’s contention that the facts alleged in the OSC provide a basis for imposition of  
28 discipline against Respondent’s license and licensing rights pursuant to the California

1 Insurance Code provisions cited in said Order to Show Cause.

2 3. Respondent hereby waives Notice of Hearing and hearing, and all other rights that  
3 may be accorded pursuant to Chapter 5, Part 1, Division 3, Title 2 (Sections 15000-11528,  
4 inclusive) of the Government Code of the State of California, and by the California Insurance  
5 Code.

6 RESPONDENT’S REMEDIATION EFFORTS

7 4. The parties acknowledge that the nature, scope and terms of the settlement in this  
8 matter as set forth herein, are, in large part, based on the steps taken by Respondent to report its  
9 past violations, remediate those violations, implement new controls to prevent the recurrence of  
10 violations, and to make fundamental changes in its corporate governance.

11 5. Respondent retained PricewaterhouseCoopers (“PwC”) to provide independent  
12 reports of Respondent's violations. Respondent implemented new administrative and technical  
13 licensing controls to ensure that employees who transact insurance business with customers have  
14 appropriate resident and non-resident licenses. PwC tested the design of the new controls and  
15 determined that these controls are adequately designed to address the risk of sales activity being  
16 performed by agents without appropriate producer licensure. In the third quarter of 2016, PwC  
17 reviewed the operation of the licensing controls and found that the Respondent’s new systemic  
18 controls work effectively to prevent licensing non-compliance. Respondent has provided these  
19 licensing controls as a free Salesforce application called Licensing+.

20 6. In addition, Respondent has obtained resident and non-resident California  
21 insurance producer licenses for all current employees that performed the transactions referenced  
22 in the Order to Show Cause. Furthermore, Respondent has mandated that all of its producers  
23 complete 52 hours of continuing education courses offered by the National Association of Health  
24 Underwriters ("NAHU"), including 12 hours of ethics training.

25 7. Further, Respondent made a series of fundamental changes. Respondent changed  
26 its top leadership by replacing its CEO and reconstituting its Board of Directors. Respondent  
27 created the position of Chief Compliance Officer and established a compliance team with 12  
28 dedicated compliance personnel positions. Respondent changed its corporate values to values

1 more appropriate for a regulated company. Furthermore, Respondent has cooperated with the  
2 Department in the course of its investigation.

3 IMPOSITION OF DISCIPLINE

4 8. Respondent agrees to pay a monetary penalty in the amount of three million  
5 dollars (\$3,000,000) for Respondent's licensing compliance violations described in paragraphs 12  
6 through 16 of the Order to Show Cause. In recognition of the self reporting of these violations  
7 and the remedial measures taken by Respondent to prevent future licensing compliance  
8 violations, one million five hundred thousand dollars (\$1,500,000) of such monetary penalty shall  
9 be suspended for a period of not less than 24 months. Payment of the suspended portion of the  
10 monetary penalty shall be subject to paragraphs 11, 13 and 15, below.

11 9. Respondent agrees to pay a monetary penalty in the amount of four million dollars  
12 (\$4,000,000) for subverting pre-licensing education study-hour requirements as described in  
13 paragraphs 17 through 20 of the Order to Show Cause. In recognition of the self reporting of  
14 these violations and the remedial measures taken by Respondent to correct the potential harm  
15 from its wrongful acts and to ensure pre-licensing education study-hour requirements will be  
16 complied with in the future, two million dollars (\$2,000,000) of such monetary penalty shall be  
17 suspended for a period of not less than 24 months. Payment of the suspended portion of the  
18 monetary payment shall be subject to paragraphs 11, 14, and 16, below.

19 10. Respondent further agrees to pay one hundred sixty thousand dollars (\$160,000) to  
20 reimburse the Insurance Commissioner for his costs in examining Respondent's conduct in this  
21 matter. Respondent shall pay this amount within 30 days after receiving an invoice from the  
22 California Department of Insurance, Accounting Services Bureau.

23 11. Respondent further agrees that if the amounts set forth in paragraphs 8 and 9 that  
24 have not been suspended, and the Commissioner's costs set forth in paragraph 10, are not paid  
25 within 30 days, as specified in the Department's invoice, the Insurance Commissioner may  
26 revoke Respondent's license and licensing rights without further notice or hearing. Further, if the  
27 Commissioner finds, after notice and a hearing, that pursuant to paragraph 12, below, Respondent  
28 is obligated to pay the suspended portion of the monetary penalty, and Respondent fails to make

1 such payment within the time period required by a final order, the Insurance Commissioner may  
2 revoke Respondent's license and licensing rights without further notice or hearing.

3 12. Respondent also agrees to submit to an examination pursuant to Insurance Code  
4 section 730 by the Department of its licensing compliance and pre-licensing education  
5 compliance in 24 months after the date of the order adopting this stipulation. Respondent agrees  
6 to provide the Department with all materials and information necessary to complete its  
7 examination.

8 13. At the completion of the examination, Respondent agrees that it will immediately  
9 pay the suspended portion of the monetary penalty in paragraph 8 above, if the Commissioner  
10 determines, based on the results of the examination, and after notice, and a hearing if requested by  
11 Respondent, that Respondent, or any of its employees, contractors or officers, have committed  
12 further licensing violations. The Commissioner shall waive the imposition of this portion of the  
13 monetary penalty if the subsequent licensing violations are de minimis in nature. For purposes of  
14 this settlement only, licensing violations discovered by the examination will be considered de  
15 minimis if the total number of violations is less than one percent of the total number of policies  
16 issued in California during the twenty-four month period covered by the examination.

17 14. At the completion of the examination, Respondent agrees that it will immediately  
18 pay the suspended portion of the monetary penalty in paragraph 9 above, if the Commissioner  
19 determines, based on the results of the examination, and after notice, and a hearing if requested by  
20 Respondent, that Respondent, or any of its employees, contractors or officers, have committed  
21 further violations of the pre-licensing education requirements.

22 15. Upon a determination by the Commissioner at the completion of the examination  
23 required pursuant to paragraph 12 that Respondent has continued its remedial measures and  
24 committed no further licensing compliance violations, the suspended portion of the monetary  
25 penalty referenced in paragraph 8 above shall be waived.

26 16. Upon a determination by the Commissioner at the completion of the examination  
27 required pursuant to paragraph 12 that Respondent has continued its remedial measures and  
28 committed no further pre-licensing education violations, the suspended portion of the monetary

1 penalty referenced in paragraph 9 above shall be waived.

2 17. Respondent further agrees to cooperate in good faith with any investigation and  
3 enforcement action that the Department may pursue in connection with the conduct of Parker  
4 Conrad in this matter.

5 18. Respondent understands that the validity of this agreement is subject to approval  
6 by the Commissioner, as provided in California Insurance Code section 12921.

7 19. Respondent acknowledges that this Stipulation and Waiver is freely and  
8 voluntarily executed by Respondent and, after consultation with counsel, is being executed with  
9 full realization of the legal rights and responsibilities set forth herein.

10 Respondent declares under penalty of perjury under the laws of the State of California that  
11 the foregoing is true and correct, and executes this document at San Francisco,

12 (city)

13 California, on the 18th day of November, 2016

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15 DocuSigned by:  
*Joshua Stein*  
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DocuSigned by:  
*Thomas Welsh*  
88FDF22F99AD498...

16  
17 Joshua Stein  
18 Chief Compliance Officer  
19 ZENEFITS FTW  
20 INSURANCE SERVICES

21  
22 Thomas Welsh  
23 Orrick, Herrington & Sutcliffe LLP  
24 Counsel for Respondent