



Illinois Department of Insurance

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Illinois Department of Insurance Levies \$560,000 Civil Forfeiture Against California-Based Zenefits

Illinois becomes the 17th state to reach settlement with company for alleged insurance code violations

SPRINGFIELD – The Illinois Department of Insurance (DOI) announced a Stipulation & Consent Order with YourPeople, Inc., (dba Zenefits FTW Insurance Services) whereby the California-based human resources software and insurance brokerage company will pay a civil forfeiture of up to \$560,000 for the alleged insurance law violations.

The forfeiture, believed to be one of the largest in DOI's history, follows a nearly year-long investigation by DOI's Investigations Division in which Zenefits cooperated with DOI staff. The investigation determined that an estimated 279 transactions concerning the sale, solicitation, or negotiation of insurance in 2015 and prior years involving Illinois-based small and medium sized business clients were conducted by Zenefits employees who were not properly licensed to sell insurance in Illinois. In conjunction with the investigation of these practices by Illinois and other states, Zenefits has largely replaced its prior management team, including its former CEO, and has instituted new controls and procedures to ensure that its employees are properly trained and licensed. DOI will continue to monitor the company's practices to ensure compliance with Illinois law.

"The enforcement of compliance of insurance laws remains a top priority for (DOI)," said Acting Director Jennifer Hammer. "Zenefits failed to comply with Illinois insurance licensing laws. We are glad we were able to protect the citizens of Illinois in this case."

During a parallel review, the Department did not uncover evidence that Zenefits engaged in unlawful rebating, which would have been a further violation of the Illinois Insurance Code. As Zenefits' current business model as presented includes the provision of free human resources software to anyone, and additional website features provided to businesses which purchase insurance through Zenefits are solely limited to the servicing of that insurance, the Department's review concluded that no unlawful rebate or inducement is provided to the customer under Illinois law. This determination remains subject to review in the future should further evidence be received or should the company's business practices change.

Background:

Illinois becomes the 17th state to settle with Zenefits for its prior unlicensed activities. Of the \$560,000 civil forfeiture, \$100,000 will be suspended pending the successful completion of a period of probation detailed in the order.

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