

News

Unlicensed insurance sales leads to \$1.2M N.Y. state fine

Zenefits allowed unlicensed brokers to sell group property, casualty, health and life insurance policies to employees of small-and midsize companies in New York.

By **Joel Stashenko** | April 13, 2017 at 09:32 AM

Your People LLC, a San Francisco-based company that provides payroll and other services online for businesses, has been fined \$1.2 million by New York state regulators for improperly selling insurance products.

The Department of Financial Services said that under a [consent order](#) signed Tuesday, Your People and its related corporate entity, Zenefits FTW Insurance Services, acknowledged "significant compliance failures" with New York law that restrict the sale of insurance to licensed and regulated entities.

Unlicensed brokers

[DFS Superintendent Maria Vullo](#) said that beginning in September 2014, [Zenefits](#) allowed unlicensed brokers to [sell group property, casualty](#), health and life insurance policies for employees of the small-and midsize companies in New York to which it provided other business services.

New York Insurance Law §2102 limits the sale of commercial insurance products to agents licensed by the state. Zenefits acknowledged to the state in March 2016 that its provision of insurance products violated New York law, Vullo said.

"In many cases, employees were licensed in another state to act as a broker but had not obtained a nonresident insurance license as required of nonresidents doing insurance business in New York," the consent order said. "In a smaller number of cases, employees were acting as insurance brokers without any license in any state."

State regulators said Zenefits reported it was correcting the unauthorized sale problems in November 2016 and taking steps to prevent further violations, such as hiring a chief compliance officer.

Complaints from several states

Zenefits' general counsel, Joshua Stein, signed the consent order on the company's behalf. Amid an overhaul of the company's executives, Stein led Zenefits' efforts to resolve complaints from several states over unauthorized sale of insurance.

"This tough but fair settlement shows new leadership's continued [dedication to building solid relationships with regulators](#) as we put the past behind us," the company said in a statement.

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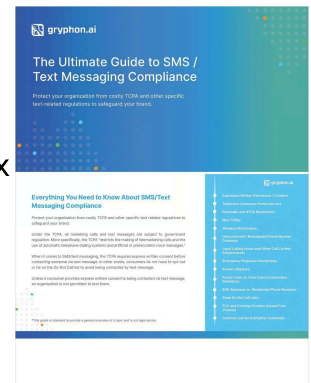
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