

2017- 5044
No. _____

**OFFICIAL ORDER
of the
TEXAS COMMISSIONER OF INSURANCE**

Date: APR 24 2017

Subject Considered:

PARKER ROUSE CONRAD
2570 Folsom Street
San Francisco, California 94110-2622

CONSENT ORDER
TDI ENFORCEMENT FILE NO. 11587

General remarks and official action taken:

The commissioner of insurance considers whether disciplinary action should be taken against Parker Rouse Conrad.

WAIVER

Conrad acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Conrad waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

Pursuant to TEX. INS. CODE § 82.055(b), Conrad agrees to the entry of this consent order with the express reservation that he does not admit to a violation of the Texas Insurance Code or of a rule of TDI, and Conrad maintains that the existence of a violation is in dispute.

FINDINGS OF FACT

1. Parker Rouse Conrad, individual identification no. 1198612, holds a non-resident, general lines agent license with a life, accident, and health qualification issued by the Texas Department of Insurance on March 15, 2013, and a property and casualty qualification issued by TDI on July 18, 2014.
2. Conrad is a co-founder of YourPeople, Inc., dba Zenefits FTW Insurance Services (Zenefits), and was its Chief Executive Officer from its inception until his resignation on February 8, 2016.
3. 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

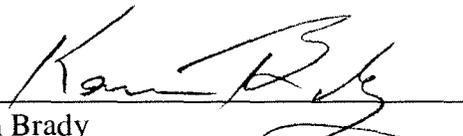
- existing policies to Zenefits as broker of record. Zenefits launched as a human resources platform and later began to offer insurance benefits.
4. As CEO and an owner of 10% or more of the corporation, Conrad was identified on Zenefits' application with the department as the officer of the corporation who was individually licensed by the department.
 5. During his tenure as CEO, Conrad in good faith relied on numerous employees, directors, officers, and insurance experts (several of whom also qualified as individuals who should have been identified to the department as persons in control of the corporation), and on written policies and procedures those experts prepared, to ensure that Zenefits was in compliance with all applicable insurance regulations.
 6. Zenefits experienced rapid growth after launching in 2013 and, during this time, applied with multiple states for agency licenses to do the business of insurance. Zenefits filed an agency application with TDI on December 31, 2013, but TDI deemed it incomplete and sent a letter to Zenefits requesting additional information. TDI received the requested additional information on May 6, 2014, processing was completed, and the license was granted effective June 2, 2014.
 7. In Official Order No. 2016-4717 Zenefits admitted that the corporation began doing the business of insurance in Texas in February of 2014, after Conrad was licensed by the department but four months before Zenefits was licensed. Conrad maintains he was not aware that the agency application processing had been delayed after Zenefits filed with TDI in December and, in addition, he believed that Zenefits' activities during this period were such that its agency licensure with the department was not yet required.
 8. Zenefits also admitted in the Order that on a multitude of occasions its employees did the business of insurance in Texas without: (1) holding individual licenses issued by TDI; and (2) being either individually appointed with insurers or appointed as subagents of Zenefits, thereby allowing them to conduct business under Zenefits' appointments with insurers. TDI asserts that Zenefits and its officers and directors should have known that this was a violation of Texas insurance laws.
 9. As of the date of this order the department has not received any consumer complaints in connection with these events.

CONCLUSIONS OF LAW

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE chs. 82, 84, 4005, 4051, and 4054; and TEX. GOV'T CODE §§ 2001.051-2001.178.
2. The commissioner has the authority to dispose of this case informally pursuant to TEX. GOV'T CODE § 2001.056, TEX. INS. CODE §§ 36.104 and 82.055, and 28 TEX. ADMIN. CODE § 1.47.

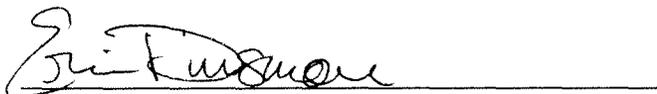
3. Conrad was a controlling shareholder and licensed officer for Zenefits, in accordance with TEX. INS. CODE §§ 4001.003(2), 4001.106(b)(2), and 4001.252. As such, the department may discipline him in connection with Zenefits' violations of insurance law of this state.
4. Zenefits admitted in Official Order No. 2016-4717 that between February and June 2, 2014, Zenefits performed the acts of an agency without first obtaining an agency license, in violation of TEX. INS. CODE §§ 4001.101, 4051.051, 4054.051, and 4054.301.

The commissioner of insurance orders Parker Rouse Conrad to pay a \$35,000 administrative penalty within 30 days from the date of this order. This settlement payment must be paid by cashier's check or money order made payable to the "State of Texas." Mail the administrative penalty to the Texas Department of Insurance, Attn: Enforcement Section, Division 40111, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.



Kevin Brady
Deputy Commissioner for Agency Affairs
Texas Department of Insurance
Delegation Order 4506

Approved as to Form and Content:



Erin Dinsmore, Staff Attorney
Enforcement Section

Affidavit

STATE OF CALIFORNIA

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COUNTY OF SAN FRANCISCO

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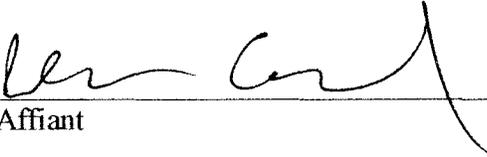
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Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

"My name is PARKER ROUSE CONRAD. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I waive rights provided by the Texas Insurance Code and other applicable laws, and acknowledge the jurisdiction of the commissioner.

I have knowingly and voluntarily entered into this consent order and agree with and consent to the issuance and service of the same by the commissioner of insurance of the state of Texas."



Affiant

SWORN TO AND SUBSCRIBED before me on this 13 day of April, 2017.

(NOTARY SEAL)

Anthony Montero

Signature of Notary Public

