



**Ohio Association of Health Underwriters
Ohio Regulatory Alert!
March 28, 2016**

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On February 16, 2016, leadership of OAHU met with Jillian Froment, Ohio Department of Insurance (ODI) Deputy Director, and several staff attorneys to discuss regulatory issues including concerns OAHU members have expressed with Zenefits's solicitation activities in Ohio. We focused mainly on the issue of the whether Zenefits agent's activities in Ohio are violating Ohio law relating to rebating/inducements.

ODI's response was that in order for their Department to address such allegations, consumers should submit a formal complaint with ODI where the alleged illegal activities are specified in a complaint. ODI also said that they would consider an agent's complaint on behalf of a consumer relating to such a fact pattern.

In this regard, below is **Ohio Revised Code Section 3933.01** which prohibits rebates and advantages in policies:

No corporation, association, or partnership engaged in this state in the guaranty, bonding, surety, or insurance business, other than life insurance, nor any officer, agent, solicitor, employee, or representative thereof, shall pay, allow, or give, or offer to pay, allow, or give, directly or indirectly, as inducements to insurance, and no person shall knowingly receive as an inducement to insurance, any rebate of premium payable on the policy, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any paid employment or contract for services of any kind, or any special advantage in the date of the policy or date of its issue, or any valuable consideration or inducement not plainly specified in the policy or

contract of insurance or agreement of indemnity, or give, receive, sell, or purchase, or offer to give, receive, sell, or purchase, as inducements to insurance or in connection therewith, any stock, bonds, or other obligations of an insurance company or other corporation, association, partnership, or individual.

Sections 3933.01 to 3933.03, inclusive, of the Revised Code do not prevent the payment to an authorized officer, agent, or solicitor of such company, association, or partnership of commissions at customary rates on policies or contracts of insurance effected through him by which he himself is insured, provided such officer, agent, or solicitor holds himself out as such and has been engaged in such business in good faith for a period of six months prior to any such payment. Such sections do not not prohibit a mutual fire insurance company from paying dividends to policyholders at any time after such dividends have been earned.

OAHU's understanding of Zenefits's business model is that it includes an offer to provide human resources software in exchange for the opportunity to be the agent of record for the purchase of employee health benefits. And in reviewing Ohio Revised Code Section 3933.01, it essentially states that that an agent of an insurer is prohibited from giving any valuable consideration or inducement, not plainly specified in the policy or contract of insurance.

So with this as a background, OAHU is asking that if you have a client, former client or prospective client who has received such a solicitation from a Zenefits agent please consider assisting the person with filing a formal complaint with the Ohio Department of Insurance by clicking on the link below and completing the "Consumer Complaint Form".

<https://gateway.insurance.ohio.gov/UI/ODI.CS.Public.UI/Complaint.mvc/DisplayConsumerComplaintForm>

If you have questions or if you assist a consumer in filing such a complaint, please let me know by contacting me at jmcgough@mcgough-inc.com or call me at 614-221-5771. Thanks.