

ORDER TO SHOW CAUSE NO. E16-25

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner )  
of Banking and Insurance, State )  
of New Jersey, to fine, )  
suspend, and/or revoke the )  
insurance producer licenses of )  
Kiran M. Sondhi, Reference No. )  
8934739, and KK Insurance )  
Agency, LLC, Reference No. )  
1050394 )

**ORDER TO SHOW CAUSE**

TO: Kiran M. Sondhi  
1721 Azure Drive  
Wall Township, NJ 07753

KK Insurance Agency, LLC  
541 Broadway  
Long Branch, NJ 07740

THIS MATTER, having been opened by the Commissioner of Banking and Insurance ("Commissioner"), State of New Jersey, upon information that Kiran Sondhi ("Sondhi") and KK Insurance Agency, LLC ("KK Insurance") (collectively, "Respondents"), may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondent Sondhi is currently a licensed resident insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32; and

WHEREAS, Respondent KK Insurance is currently a licensed resident business entity insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32; and

WHEREAS, Respondent Sondhi is the Designated Responsible Licensed Producer of KK Insurance and responsible for the activities of KK Insurance, and responsible for ensuring that KK Insurance complies with the insurance laws, pursuant to N.J.S.A. 17:22A-32b(2); and

WHEREAS, Respondent Sondhi is the sole owner of KK Insurance and responsible for all insurance related conduct of KK Insurance, any of its branch offices, its other licensed officers or partners, and its employees, pursuant to N.J.A.C. 11:17A-1.6(c); and

WHEREAS, Respondents are subject to the provisions of the New Jersey Insurance Producer Licensing Act ("Producer Act"), N.J.S.A. 17:22A-26, et seq., and the New Jersey Insurance Fraud Prevention Act ("Fraud Act"), N.J.S.A. 17:33A-1 et seq.; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(2), an insurance producer shall not violate any insurance law, regulation, subpoena, or order of the Commissioner; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(8), an insurance producer shall not use fraudulent, coercive or dishonest practices, or demonstrate incompetence, untrustworthiness or

financial irresponsibility in the conduct of the insurance business; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(16), an insurance producer shall not commit any fraudulent act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40c, the producer license of a business entity may be suspended or revoked if an individual licensee's violation was known or should have been known by one or more of the partners, officers or managers acting on behalf of the business entity and the violation was neither reported nor corrective action taken; and

WHEREAS, pursuant to N.J.S.A. 17:33A-5a(2), the Commissioner of the Department Banking and Insurance of the State of New Jersey is authorized to levy a civil administrative penalty and order restitution against those who violate the provisions of the Fraud Act; and

WHEREAS, pursuant to N.J.S.A. 17:33A-4a(4)(b), a person violates the Fraud Act if she prepares or makes any written or oral statement, intended to be presented to any insurance company or producer for the purpose of obtaining an insurance policy, knowing that the statement contains any false or misleading information concerning any fact or thing material to an insurance application or contract; and

**COUNT 1**  
**(Producer Act Charges Against  
Respondents Sondhi and KK Insurance)**

IT APPEARING, that at all relevant times United States Liability Insurance Group ("U.S. Liability") is an insurance company; and

IT FURTHER APPEARING, that at all relevant times Apogee Insurance Group ("Apogee") is a specialty lines professional and management insurance wholesaler utilized by Respondents; and

IT FURTHER APPEARING, that at all relevant times Jimcor Agencies ("Jimcor") is an independent managing general agent and insurance wholesaler utilized by Respondents; and

IT FURTHER APPEARING, that at all relevant times SSN Hotel Management ("SSN Management"), is a business entity incorporated in Newark, Delaware that manages several hotels; and

IT FURTHER APPEARING, that at all relevant times Ghanshyam Hospitality, LLC, d/b/a Hampton Inn ("Ghanshyam"), is a business entity which owns a hotel in Linden, New Jersey; and

IT FURTHER APPEARING, that at all relevant times SSN Management was associated with and or managed Ghanshyam; and

IT FURTHER APPEARING, that on or about February 27, 2009, "CL", an employee of SSN Management, filed a complaint against SSN Management in Union County Superior Court, Docket No. UNN-L-0834-09, alleging, amongst other things, that SSN Management

violated the Law Against Discrimination, N.J.S.A. 10:5-1 through -42; and

IT FURTHER APPEARING, that "JH" was an employee of Ghanshyam until his termination on October 5, 2009; and

IT FURTHER APPEARING, that on or about December 4, 2009, Respondents submitted to U.S. Liability, via Apogee, an application to obtain an Employment Practices Liability insurance policy for Ghanshyam; and

IT FURTHER APPEARING, that on or about January 13, 2010, U.S. Liability issued Ghanshyam an Employment Practices Liability insurance policy; and

IT FURTHER APPEARING, that the January 13, 2010 Employment Practices Liability policy had a policy inception date of November 30, 2009; and

IT FURTHER APPEARING, that on or about March 16, 2010, JH filed a complaint against SSN Management in Union County Superior Court, Docket No. UNN-L-1076-10, alleging, amongst other things, that SSN violated the New Jersey Law Against Discrimination, N.J.S.A. 10:5-1 through -42; and

IT FURTHER APPEARING, that on or about March 29, 2010, Respondents submitted a claim to U.S. Liability, via Apogee, seeking coverage and defense of the JH lawsuit under the Ghanshyam Employment Practices Liability policy; and

IT FURTHER APPEARING, that on or about April 1, 2010, the claim was denied by U.S. Liability because SSN Management was not a named insured on the Ghanshyam policy and there was no coverage for SSN Management under the policy; and

IT FURTHER APPEARING, that on or about April 21, 2010, Respondents submitted a request to Apogee to add SSN Management to Ghanshyam's U.S. Liability Employment Practices Liability policy as an additional insured; and

IT FURTHER APPEARING, that on or about April 27, 2010, U.S. Liability declined to add SSN Management to the Ghanshyam policy because SSN Management manages hotels in addition to the single hotel owned and operated by Ghanshyam; and

IT FURTHER APPEARING, that on or about April 28, 2010, Respondents submitted to U.S. Liability, via Jimcor, an Employment Practices Liability Application for SSN Management; and

IT FURTHER APPEARING, that on the April 28, 2010 application, Respondents stated "No" in response to Question 7 which asked "Within the last 5 years, has any employment related, or third party discrimination, or third party harassment inquiry, complaint, notice of hearing, claim, or suit been made against any entity proposed for Insurance or any person proposed for Insurance in the capacity of either

Director, Officer, Member (if an LLC), or Employee of any entity proposed for Insurance?"; and

IT FURTHER APPEARING, that the April 28, 2010 application was declined by U.S. Liability due to claim activity involving JH's law suit against SSN Management; and

IT FURTHER APPEARING, that this instance, where Respondents submitted to an insurance company an application for insurance which contained misrepresentations of material fact constitutes fraudulent, coercive or dishonest practices, or demonstrates incompetence, untrustworthiness or financial irresponsibility in the conduct of insurance business, in violation of N.J.S.A. 17:22A-40a(2), (8), and (16); and

**COUNT 2**  
**(Fraud Act Charges Against  
Respondents Sondhi and KK Insurance)**

IT FURTHER APPEARING, that this instance where Respondents prepared or made a written or oral statement, intended to be presented to any insurance company or producer for the purposes of obtaining an insurance policy, knowing that the statement contains any false or misleading information concerning any fact or thing material to an insurance application or contract, constitutes violations of N.J.S.A. 17:33A-4a(4)(b), and N.J.S.A. 17:22A-40a(2); and

NOW, THEREFORE, IT IS on this 30<sup>th</sup> day of ~~March~~, 2016  
ORDERED, that pursuant to the provisions of N.J.S.A.  
17:22A-40a, Respondents shall appear and show cause why their  
insurance producer licenses shall not be revoked by the  
Commissioner; and

IT IS FURTHER ORDERED, that Respondent Sondhi, as the sole  
Designated Responsible Licensed Producer of Respondent KK  
Insurance, shall appear and show cause why its business entity  
insurance producer license shall not be revoked by the  
Commissioner; and

IT IS FURTHER ORDERED, that Respondents shall appear and  
show cause why the Commissioner should not assess fines up to  
\$5,000.00 for the first violation and not exceeding \$10,000.00  
for each subsequent violation of the Producer Act, pursuant to  
the provisions of N.J.S.A. 17:22A-45c, due to their failure to  
comply with New Jersey's insurance laws and regulations; and

IT IS FURTHER ORDERED, that Respondents shall appear and  
show cause why the Commissioner should not assess fines up to  
\$5,000.00 for the first violation, \$10,000 for the second  
violation and \$15,000 for each subsequent violation of the Fraud  
Act, pursuant to N.J.S.A. 17:33A-5c, due to their failure to  
comply with the Fraud Act; and

IT IS FURTHER ORDERED, that Respondents shall appear and  
show cause why they should not be subject to additional



penalties, including restitution to their victims and reimbursement of the costs of investigation and prosecution by the Department of Banking and Insurance, pursuant to N.J.S.A. 17:22A-45c; and

IT IS FURTHER ORDERED, that Respondents shall appear and show cause why they should not be subject to the assessment of costs and reasonable attorneys' fees, pursuant to N.J.S.A. 17:33A-5b; and

IT IS FURTHER ORDERED, that Respondents shall appear and show cause why they should not be subject to the imposition of a \$1,000.00 surcharge, pursuant to N.J.S.A. 17:33A-5.1; and

IT IS PROVIDED, that Respondents have the right to request an administrative hearing, to be represented by counsel or other qualified representative, at their own expense, to take testimony, to call or cross-examine witnesses, to have subpoena and subpoena duces tecum issued and to present evidence or argument if a hearing is requested; and

IT IS FURTHER PROVIDED, that unless a request for a hearing is received within twenty days of the service of this Order to Show Cause, the right to a hearing in this matter shall be deemed to have been waived by the Respondents and the Commissioner shall dispose of this matter in accordance with law. A hearing may be requested by mailing the request to Virgil Downtin, Chief of Investigations, New Jersey Department of

Banking and Insurance, P.O. Box 329, Trenton, N.J. 08625 or by faxing the request to the Department at (609) 292-5337. The request shall contain:

- (A) The licensee's name, address, and daytime telephone number;
- (B) A statement referring to each charge alleged in this Order to Show Cause and identifying any defense intended to be asserted in response to each charge. Where the defense relies on facts not contained in the Order to Show Cause, those specific facts must be stated;
- (C) A specific admission or denial of each fact alleged in this Order to Show Cause. Where the Respondents have no specific knowledge regarding a fact alleged in this Order to Show Cause, a statement to that effect must be contained in the hearing request. Allegations of this Order to Show Cause not answered in the manner set forth above shall be deemed to have been admitted; and
- (D) A statement requesting a hearing.



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Peter L. Hartt  
Director of Insurance