

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of Banking)	CONSENT
and Insurance, State of New Jersey, to fine)	ORDER
Chihong Chu, Reference No. 235144 and)	
Cornerstone Financial Strategies, Inc.,)	
Reference No. 3000749080.)	

To: Chihong Chu	Cornerstone Financial Strategies, Inc.
19 Heather Way	555 Route 18, Suite 201
East Brunswick, NJ 08816-2825	East Brunswick, NJ 08816-3727

This matter, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), State of New Jersey, upon information that Cornerstone Financial Strategies, Inc., currently licensed as a resident business entity insurance producer, pursuant to N.J.S.A. 17:22A-32b, and its designated responsible licensed producer, Chihong Chu (“Chu”), currently licensed as a resident individual insurance producer, pursuant to N.J.S.A. 17:22A-32a, may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Cornerstone Financial Strategies, Inc. and Chu (collectively “Respondents”) are subject to the provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 to -48 (the “Producer Act”), and the regulations governing the Insurance Producer Standards of Conduct, N.J.A.C. 11:17A-1.1 to N.J.A.C. 11:17D-2.8; and

WHEREAS, pursuant to N.J.S.A. 17:22A-32b(2), Chu is the designated responsible licensed producer of Cornerstone Financial Strategies, Inc. and responsible for the agency’s compliance with the insurance laws, rules and regulations of this State; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a, the Commissioner may place on probation, suspend, revoke or refuse to renew an insurance producer's license, and may levy a civil penalty, for a violation of the Producer Act; 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 or of another state's insurance regulator; and

WHEREAS, pursuant to N.J.S.A. 17:22A-29, a person shall not sell, solicit or negotiate insurance in this State unless the person is licensed for that line of authority in accordance with this act; and

WHEREAS, N.J.S.A. 17:22A-28 defines "person" as an individual or a business entity; and

WHEREAS, pursuant to N.J.S.A. 17B:30-4, no person shall make, publish, disseminate, circulate, or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance and annuities or with respect to any person in the conduct of his insurance and annuity business, which is untrue, deceptive or misleading; and

WHEREAS, pursuant to N.J.A.C. 11:2-23.4(a), advertisements shall be truthful and not misleading in fact or by implication. Words or phrases the meaning of which is clear only by implication or by familiarity with insurance terminology shall not be used. The form and content

of an advertisement of a policy shall be sufficiently complete and clear so as to avoid deception.

The advertisement shall not have the capacity or tendency to mislead or deceive; and

WHEREAS, pursuant to N.J.A.C. 11:17-2.8(c), no resident business entity shall conduct insurance business unless the business name has been filed with and approved by the Department of Banking and Insurance (“Department”). Issuance of a license containing the name shall serve as notice of approval; and

WHEREAS, pursuant to N.J.A.C. 11:17-2.9(a), except for licensees with authority in only ticket insurance, group mortgage cancellation insurance, legal insurance, credit insurance, car rental insurance, travel insurance or self-storage personal property insurance, licensees shall file with the Department by hard copy or electronic means a branch office registration form within 30 days before business is first conducted there. A branch office registration form shall be accompanied by the processing fee specified in N.J.A.C. 11:17-2.13. The appropriate registration form will be prescribed by the Department; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.3(a), except as provided in N.J.A.C. 11:17B-2.1(b) or (e), no person shall act as an insurance producer or maintain or operate any office in this State for the transaction of the business of an insurance producer, or receive any commission, brokerage fee, compensation or other consideration for services rendered as an insurance producer, without first obtaining a license from the Commissioner granting authority for the kind of insurance transacted; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.4(a), no person shall solicit, negotiate or sell an insurance contract in New Jersey unless he or she is a licensed insurance producer; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.4(b)7, soliciting an insurance contract includes disseminating information as to coverages in general; and

WHEREAS, at all times relevant, Chu was properly licensed as a resident individual insurance producer; and

WHEREAS, in 2019, the Respondents mailed out a total of 90,000 advertisements to New Jersey residents inviting them to an educational seminar, indicating that no specific insurance product would be mentioned when marketing materials for specific insurance products were distributed at the seminar; and

WHEREAS, the advertisements were misleading due to specific annuity product handouts provided to each seminar attendee, in violation of N.J.S.A. 17:22A-40a (2), N.J.S.A. 17B:30-4 and N.J.A.C. 11:2-23.4(a); and

WHEREAS, twenty-two insurance sales were completed as a direct result of the 90,000 mailers; and

WHEREAS, Cornerstone Financial Strategies, Inc. was not a licensed insurance producer in this State at the time the solicitations were mailed, in violation of N.J.S.A. 17:22A-40a (2), N.J.S.A. 17:22A-29, N.J.A.C. 11:17-2.8(c), N.J.A.C. 11:17A-1.3(a), N.J.A.C. 11:17A-1.4(a) and N.J.A.C. 11:17A-1.4(b)7; and

WHEREAS, the Respondents failed to register, with the New Jersey Department of Banking and Insurance (“Department”), three branch office locations where Respondents conducted insurance business, in violation of N.J.S.A. 17:22A-40a (2) and N.J.A.C. 11:17-2.9(a); and

WHEREAS, the Respondents have provided proof Cornerstone Financial Strategies, Inc. is now a licensed insurance producer business entity as of December 2019 and all branch office locations have been registered with the Department; and

WHEREAS, the Respondents:

- 1) Have admitted responsibility for the aforementioned violations; and
- 2) Have cooperated with the investigation conducted by the Department; and
- 3) Have asserted that the violations cited in this Consent Order were not willful; and

WHEREAS, cause does exist under N.J.S.A. 17:22A-40a and N.J.S.A. 17:22A-45c to impose a fine; and

WHEREAS, the Respondents have waived their right to a hearing on the aforementioned violations and consented to payment of a fine in the amount of fifty thousand five hundred dollars (\$50,500.00); and

WHEREAS, this matter should be resolved upon the consent of the parties without resort to a formal hearing;

NOW, THEREFORE, IT IS on this *March* day of *3rd*, 2020

ORDERED AND AGREED, that the Respondents shall pay a fine in the amount of \$50,500.00 to the Department; and

IT IS FURTHER ORDERED AND AGREED, that said fine shall be paid by certified check, cashier's check or money order made payable to the "State of New Jersey, General Treasury," which shall be paid upon execution of this Consent Order by the Respondents; and

IT IS FURTHER ORDERED AND AGREED, that the signed Consent Order, together with the fine payment of \$50,500.00, shall be remitted to:

New Jersey Department of Banking and Insurance
Attention: Virgil Downtin, Chief of Investigations
9th Floor, Consumer Protection Services, Enforcement Unit
P. O. Box 329
Trenton, New Jersey 08625-0329

and

IT FURTHER ORDERED AND AGREED, that the civil penalties in this Consent Order are imposed pursuant to the police powers of the State of New Jersey for the enforcement of the law and the protection of the public health, safety and welfare, and is not intended to constitute debts which may be limited or discharged in a bankruptcy proceeding; and


IT IS FURTHER ORDERED AND AGREED, that the provisions of this Consent Order represent a final agency decision and constitute a final resolution of the violations contained herein; and

IT IS FURTHER ORDERED AND AGREED, that the Respondents shall cease and desist from engaging in the conduct that gave rise to this Consent Order.



Marlene Caride
Commissioner

Consented to as to Form,
Entry and Content

By: 

Chihong Chu, as the Designated Responsible
Licensed Producer for Cornerstone Financial Strategies, Inc.



Chihong Chu, Individually

Date: 02-21-2020