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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
HUGO INSURANCE SERVICES LLC 225 Santa Monica Blvd., 11th Floor Santa Monica, CA 90401	:	40 P.S. §§ 310.11(7), (20), 1171.4, 1171.5(a)(1)(i) and 1171.5(a)(2); 31 Pa.Code §§ 51.21, 51.22, 24, 51.35
Respondent.	:	Docket No. CO24-11-015

CONSENT ORDER

AND NOW, this 9th day of December, 2024, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §§ 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order, and the Findings of Fact and Conclusions of Law contained herein, shall have the full force and effect of an Order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Pennsylvania Insurance Department ("Department") finds true and correct each of the following Findings of Fact:

(a) Respondent is Hugo Insurance Services LLC and maintains a record of its address with the Pennsylvania Insurance Department as 225 Santa Monica Blvd., 11th Floor, Santa Monica, CA 90401.

(b) Respondent is, and at all times relevant hereto has been, a licensed Non-Resident Producer Agency.

(c) Respondent on or about April 2022 began marketing and selling an automobile insurance program in the Commonwealth of Pennsylvania, and elsewhere, that utilizes an approved six (6) month automobile insurance policy underwritten by an insurer licensed by the Department.

(d) Respondent's advertisements and marketing scheme for the automobile insurance program identified in finding 3(c) have utilized the following statements:

- "Car in the shop? Pay $0 on insurance."
- "Micropayments, on demand coverage."
- "Only pay for what you use."
- "Pay Only When You Go with Hugo."
- "Press pause on big insurance bills."
- "Turn Off to save Car insurance."

- Turn On to drive Off to save."
- "$0 per day when you don't drive. That's Hugo!"
- "Pay when you drive, save when you don't. It's that simple."

(e) Respondents marketing statements in finding 3(d) misconstrue the true nature of the automobile insurance program, leading a proposed insured to believe they can "pause" and/or "turn on/off" their insurance coverage. In fact, the program actually involves the insured cancelling coverage each time, which could lead to increased fees each time, as well as increased rating costs when switching insurers in the future.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department concludes and finds the following Conclusions of Law:

(a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

(b) 40 P.S. § 310.11(7) prohibits a licensee or an applicant from using fraudulent, coercive or dishonest practices or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of doing business.

(c) Respondent's activities described in paragraphs 3(d) and 3(e) violate 40 P.S. § 310.11(7).

(d) 40 P.S. § 310.11(20) prohibits a licensee or an applicant from demonstrating a lack of general fitness, competence or reliability sufficient to satisfy the Department that the licensee is worthy of licensure.

(e) Respondent's activities described in paragraphs 3(d) and 3(e) violate 40 P.S. § 310.11(20).

(f) 40 P. S. § 1171.4, prohibits licensees from engaging in this Commonwealth in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to the Unfair Insurance Practices Act.

(g) Respondent's activities described in paragraphs 3(d) and 3(e) constitute engaging in this Commonwealth in trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to the Act and violate 40 P.S. § 1171.4.

(h) 40 P.S. § 1171.5(a)(1)(i) prohibits persons from making any statement misrepresenting the benefits, advantages, conditions or terms of any insurance policy.

(i) Respondent's activities described in paragraphs 3(d) and 3(e) constitute a misrepresentation of the benefits, advantages, conditions or terms of any insurance policy and violate 40 P.S. § 1171.5(a)(1)(i).

(j) 40 P.S. § 1171.5(a)(2) prohibits persons from making, issuing, publishing or circulating in any manner an advertisement, announcement or statement containing any representation or statement with respect to the business of insurance or with respect to any person in the conduct of its insurance business which is untrue, deceptive or misleading.

(k) Respondent's activities described in paragraphs 3(d) and 3(e) constitute making, issuing, publishing or circulating in any manner an advertisement, announcement or statement containing any representation or statement with respect to the business of insurance or with respect to any person in the conduct of its insurance business which is untrue, deceptive or misleading and violate 40 P.S. § 1171.5(a)(2).

(l) The Department's regulation at 31 Pa.Code § 51.21 provides that: the format and content of an advertisement of an insurance contract shall be sufficiently complete and clear to avoid deception or the capacity or tendency to mislead or deceive; that whether an advertisement has a capacity or tendency to mislead or deceive shall be determined by the Commissioner of Insurance from the overall impression that the advertisement may be reasonably expected to create upon a person of average education or intelligence, within the segment of the public to which it is directed; and that advertisements shall be truthful and not misleading in fact or in implication.

(m) The Department's regulation at 31 Pa.Code § 51.22 provides that an advertisement may not be used which, because of phrases, statements, references or illustrations therein or information omitted therefrom, has the capacity, tendency or effect of misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any contract benefit payable, loss covered or premium payable.

(n) The Department's regulation at 31 Pa.Code § 51.24 provides that an advertisement may not be used which refers to a specific benefit payable under a particular contract, the cost of a particular contract or another specific term or condition of a particular contract, without appropriately disclosing exceptions, reductions, limitations or other restricting provisions affecting the basic provisions of the contract without which the advertisement would have the capacity or tendency to mislead or deceive.

(o) The Department's regulation at 31 Pa.Code § 51.35(a) provides that the name of the actual insuring company shall be clearly identified in all of its advertisements.

(p) Respondent's activities described in paragraphs 3(d) and 3(e) constitute violations of the compliance standards found in the Department's regulation at 31 Pa.Code §§ 51.21, 51.22, 51.24, 51.35(a).

(q) Pursuant to 40 P.S. §§ 1171.9 and 1171.11, Respondent's violations of 40 P.S. §§ 1171.4, 1171.5(a)(1)(i) and 1171.5(a)(2) are punishable by the following:

(i) suspension, revocation or refusal to issue the license;

(ii) imposition of a civil penalty not to exceed five thousand dollars ($5,000.00) for every violation of the Act;

(iii) an order to cease and desist; and

(iv) any other conditions as the Commissioner deems appropriate.

(r) Pursuant to 40 P.S. § 310.91, Respondent's violations of 40 P.S. § 310.11(7), and (20) are punishable by the following:

(i) suspension, revocation or refusal to issue the license;

(ii) imposition of a civil penalty not to exceed five thousand dollars ($5,000.00) for every violation of the Act;

(iii) an order to cease and desist; and

(iv) any other conditions as the Commissioner deems appropriate.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

(a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law. Specifically, as a condition to continued licensure, and any time Respondents are conducting the business of insurance or otherwise selling, soliciting or negotiating insurance in the Commonwealth, Respondent must cease and desist from advertising or soliciting the sale of automobile insurance in the Commonwealth utilizing any terms or phrasing that would lead the consumer to believe that they are able to "pause," "turn on," or "turn off," coverage when the policy is actually or effectively being cancelled. In addition, Respondents must cease and desist from advertising or soliciting the sale of automobile insurance in the Commonwealth utilizing any terms or phrasing indicating that the insured is able to "pay when you drive," "pay for what you use," or any similar advertising or statements that leads to the reasonable believe that there is not a cancellation of the automobile insurance coverage. Respondent shall also make it explicitly clear on any and all advertising, solicitations, websites, applications, or other statements or publications, and shall disclose in a conspicuous writing to any prospective insured no later than the time of application, that any "stop" or "pause" in coverage is considered a cancellation, and that a cancellation could affect rating and coverage costs for automobile insurance in the future with the same or a different insurer.

(b) Respondent shall pay a civil penalty of ten thousand dollars ($10,000.00) to the Commonwealth of Pennsylvania and payment must be made electronically no later than fourteen (14) days from the date of final execution of this Consent Order. Specific payment instructions will be supplied by the Department to the Respondent with the final executed copy of this Consent Order.

(c) Respondent's licenses may be immediately suspended by the Department following its investigation and determination that (i) any terms of this Order have not been complied with, or (ii) any confirmed complaint against Respondent is accurate and a statute or regulation has been violated. The Department's right to act under this subsection is limited to a period of five (5) years from the date of this Order.

(d) Respondent specifically waives its right to prior notice of said suspension, but will be entitled to a hearing upon written request received by the Department no later than thirty (30) days after the date the Department mailed to Respondent by certified mail, return receipt requested, notification of said suspension, which hearing shall be scheduled for a date within sixty (60) days of the Department's receipt of Respondent's written request.

(e) At the hearing referred to in paragraph 5(d) of this Order, Respondent shall have the burden of demonstrating that it is worthy of a license.

(f) In the event Respondent's licenses are suspended pursuant to paragraph 5(c) above, and Respondent either fails to request a hearing within thirty (30) days or at the hearing fails to demonstrate that it is worthy of a license, Respondent's suspended licenses shall be revoked.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein, the Department may pursue any and all legal remedies available, including but not limited to the following: The Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provisions of law; or, if applicable, the Department may enforce the provisions of this Order in any other court of law or equity having jurisdiction.

7. Alternatively, in the event the Insurance Department finds there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and there are no other terms, obligations, covenants, representations, statements or conditions, or otherwise, of any kind whatsoever concerning this agreement. This Order may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or duly authorized delegee.

BY: HUGO INSURANCE SERVICES LLC,
Respondent

____
President/Vice President

____
Secretary/Treasurer

____
COMMONWEALTH OF PENNSYLVANIA
By: DAVID J. BUONO JR.
Deputy Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: The Act of April 9, 1929, P.L. 177, No. 175, known as The Administrative Code of 1929

AND NOW, this __25th __ day of __April_____, 2024, David J. Buono, Jr., Deputy Insurance Commissioner, is hereby designated as the Commissioner's duly authorized representative for purposes of entering in and executing Consent Orders. This delegation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.

Michael Humphreys
Insurance Commissioner