



1 Arizona Department of Insurance  
2 Hearing Division  
3 2910 North 44th Street, Suite 210  
4 Phoenix, Arizona 85018

5 Upon receipt of a timely written request for hearing, the  
6 Director will issue a statement setting the time and place of  
7 the hearing. If no timely written request for hearing is  
8 received, the Director will enter the following allegations as  
9 findings of fact and conclusions of law, and will order the  
10 revocation of Respondents' insurance licenses together with  
11 appropriate civil penalties and restitution as allowed by the  
12 law.

13 The Department alleges:

14 1. Respondent Elliott Mark Mallon ("Mallon") is  
15 presently, and was at all times material to this Notice,  
16 licensed as a resident life and disability insurance agent,  
17 holding license number 11747. That license expires June 30,  
18 1995.

19 2. Respondent Secure Choice & Solutions, Inc.  
20 ("Secure Choice") is an Arizona corporation and is presently  
21 licensed as a life and disability insurance agency, holding  
22 license number 23043. Secure Choice was originally issued its  
23 license on May 13, 1994. That license expires May 31, 1995.

24 3. Mallon owns, operates, exercises control over and  
25 serves as president of Secure Choice and is designated in the  
26 license of Secure Choice as the authorized representative.

1           4.    On or about July 29, 1993, Mallon entered into an  
2 Enrollment Firm Contract with Security Life of Denver Insurance  
3 Company ("Security Life") to solicit applications and provide  
4 enrollment services, on cases pre-approved by Security Life,  
5 for certain payroll deduction products.

6           5.    On or about May 10, 1994, Secure Choice entered  
7 into an Enrollment Firm Contract with Security Life.

8           6.    On or about July 30, 1993, MicroAge Computer  
9 Centers, Inc. ("MicroAge") appointed Mallon agent of record to  
10 solicit and enroll employees of MicroAge in various types of  
11 insurance programs which could be paid for through payroll  
12 deduction.

13           7.    Security Life provided Mallon with a list of  
14 employees. The list included each employee's name, address,  
15 social security number, approximate annual salary and birth  
16 date, but did not include the employees' state of birth or the  
17 name of their primary beneficiary.

18           8.    Applications were to be made on prescribed forms  
19 and were to be transmitted by Mallon to Vision Financial  
20 Corporation ("Vision"), the authorized third party  
21 administrator for Security Life.

22           9.    On or about April 6, 1994, Stuart M. Olson, Jr.  
23 ("Olson") met with Mallon to purchase a \$100,000 Security Life  
24 term life insurance policy for himself and a \$30,000 Security  
25 Life term life insurance policy for his wife, Christine Olson.  
26

1           10. On that same date, Olson signed a Payroll  
2 Deduction Authorization for payment of the Security Life term  
3 life insurance policies to be made through payroll deduction in  
4 the amount of \$67.60 per month. Payroll deduction began on  
5 April 15, 1994.

6           11. On or about July 11, 1994, Olson received notice  
7 from Security Life, through Vision, that his policy was being  
8 cancelled due to nonpayment of premium.

9           12. Olson contacted Vision and was informed that the  
10 policy being cancelled was not one of the policies he had  
11 purchased on April 6, 1994, but instead was a Universal Life  
12 Insurance Policy ("Universal Life policy") purportedly  
13 purchased on January 16, 1994.

14           13. On or about July 15, 1994, Vision faxed Olson  
15 copies of the January 16, 1994 Security Life application and  
16 Payroll Deduction Authorization.

17           14. After reviewing the documents, Olson notified  
18 Security Life that he never purchased a Universal Life policy  
19 through Security Life, that the signatures on the January 16,  
20 1994 application and Payroll Deduction Authorization were not  
21 his signatures and that his place of birth and his spouses  
22 name, listed as primary beneficiary, were incorrect on the  
23 application.

24           15. Subsequently, MicroAge searched for applications  
25 submitted to Security Life on behalf of MicroAge employees by  
26 Mallon which contained incorrect information as to place of

1 birth and spouses name. MicroAge found 26 policies containing  
2 spouses names which were inconsistent with employee records.

3 16. A Department Investigator requested and received  
4 six Security Life applications from Vision which had been  
5 signed and submitted by Mallon on behalf of MicroAge  
6 employees. The applications requested are as follows:

7  
8 Cheryl Anderson policy #04S7021530  
9 Stuart Olson Jr. policy #04S7019916  
10 Michael Perazzo policy #04S7019917  
11 Jeff Clemmer policy #04S7021530  
12 Kandi Egan policy #04S7021534  
13 Terry Enriquez policy #04S7015581

14 17. Upon receipt of the applications, a Department  
15 Investigator individually interviewed the six persons named  
16 above. Each was shown an application which had been submitted  
17 to Vision by Mallon purportedly authorized and signed by the  
18 person named on the application. None of the six had  
19 authorized Mallon to submit the application on their behalf,  
20 nor were the signature affixed to the application their  
21 signatures and each application contained an incorrect place of  
22 birth and spouses name.

23 18. Pursuant to his Enrollment Firm Contract with  
24 Security Life, Mallon received advance payments of commission  
25 from the applications referenced above as follows:

26  
27 Cheryl Anderson \$288.48  
28 Stuart Olson Jr. \$299.47  
29 Michael Perazzo \$495.50  
30 Jeff Clemmer \$228.48  
31 Kandi Egan \$142.80  
32 Terry Enriquez \$180.82

Total \$1,635.55



1 insurer, in violation of A.R.S. § 20-316(A)(7).

2 25. The license of Secure Choice may be suspended,  
3 revoked or refused also for any of such causes as relate to any  
4 individual designated in the license to exercise its powers  
5 pursuant to A.R.S. § 20-316(B).

6 26. The conduct described above constitutes unfair and  
7 deceptive trade practices within the meaning of A.R.S. § 20-442.

8 27. The conduct described above constitutes  
9 misrepresentation in the sale of insurance within the meaning of  
10 A.R.S. § 20-443.

11 28. Based upon the conduct described above, and  
12 pursuant to A.R.S. § 41-1064(C), the public health, safety and  
13 welfare imperatively requires emergency action in the form of the  
14 summary suspension of Respondents' Arizona insurance licenses,  
15 effective immediately, pending the proceedings for revocation  
16 commenced this date.

17 WHEREFORE, if after hearing, the Director makes a  
18 finding of one or more of the above-described violations, he may  
19 suspend, revoke or refuse to renew the Respondents' insurance  
20 licenses, impose a civil penalty and may order restitution,  
21 pursuant to A.R.S. §§ 20-316(A), 20-316(B) and 20-316(C).

22 FURTHER, if after hearing, the Director finds that  
23 Respondents violated the provisions of A.R.S. §§ 20-442 and  
24 20-443, she may enter an Order of Cease and Desist against  
25 Respondents and to impose a civil penalty of not more than \$1,000  
26 for each act or violation but not to exceed an aggregate penalty

1 of \$10,000 dollars unless the person intentionally violates an  
2 act or practice, in which case the Director may impose a civil  
3 penalty of up to \$5,000 for each act or violation but not to  
4 exceed an aggregate penalty of \$50,000 in any six month period,  
5 pursuant to A.R.S. § 20-456(A) and 20-456(B).

6 Pursuant to A.R.S. § 20-150, the Director herewith  
7 delegates all of her authority, powers, duties and functions,  
8 whether ministerial or discretionary, with which he is vested as  
9 Director of Insurance of the State of Arizona, whether implied or  
10 expressed, to GREGORY Y. HARRIS for the purpose of acting as  
11 hearing officer in this matter. This delegation of authority  
12 shall continue until specifically revoked.

13 DATED at Phoenix, Arizona, this 31st day of October,  
14 1994.

15   
16 \_\_\_\_\_  
17 CHRIS HERSTAM, Director  
18 Arizona Department of Insurance

19 COPY of the foregoing mailed this  
20 31st day of October, 1994, to:

21 Kathryn Leonard  
22 Assistant Attorney General  
23 1275 West Washington, Room 259  
24 Phoenix, Arizona 85007

25 Gay Ann Williams, Deputy Director  
26 Charles R. Cohen, Executive Assistant Director  
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3 Elliott Mark Mallon  
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4 Phoenix, AZ 85016

5 Elliott Mark Mallon, President  
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7 Alan Singer  
8 Security Life of Denver Insurance Company  
1290 Broadway  
9 Denver, CO 80203-5699

10 Transamerica Assurance Company  
1150 S. Olive Street  
11 Los Angeles, CA 90015-0101

12 Standard Life and  
Accident Insurance Company  
13 P.O. Box 25097  
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14 Craig J. Cantoni  
15 Vice President  
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16 MicroAge  
P.O. Box 1920  
17 Tempe, AZ 85280-1920

18 Joan N. Hollis  
Premium Accounting  
19 Vision Financial Corporation  
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