System and Organization Controls (SOC) 3 Report

Management's Report of its Assertions on Applied Systems, Inc.'s Applied Cloud System Based on the Trust Services Criteria for Security, Availability, and Confidentiality

For the Period November 1, 2021 to October 31, 2022

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SECTION ONE: REPORT OF INDEPENDENT ACCOUNTANTS

To: Management of Applied Systems, Inc.

Scope

We have examined management's assertion, contained within the accompanying "Management's Report of its Assertions on the Effectiveness of Its Controls over Applied Systems, Inc.'s Applied Cloud System Based on the Trust Services Criteria for Security, Availability, and Confidentiality" (Assertion) that Applied Systems, Inc.'s controls over its Applied Cloud System (System) were effective throughout the period November 1, 2021 to October 31, 2022, to provide reasonable assurance that its principal service commitments and system requirements were achieved based on the trust services criteria relevant to security, availability, and confidentiality (applicable trust services criteria) set forth in TSP section 100, 2017 *Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy* (AICPA, *Trust Services Criteria*).

The Assertion also indicates that Applied Systems, Inc.'s ("Service Organization" or "Applied") controls can provide reasonable assurance that certain service commitments and system requirements can be achieved only if complementary user entity controls assumed in the design of Applied's infrastructure's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Applied uses subservice organizations to supplement its services. The description of the boundaries of the system indicates that complementary subservice organization controls that are suitably designed and operating effectively are necessary, along with controls at Applied to achieve Applied's service commitments and system requirements based on the applicable trust services criteria. The description of the boundaries of the system does not disclose the actual controls at the subservice organizations. Our examination did not include the services provided by the subservice organizations, and we have not evaluated the suitable design or operating effectiveness of such complementary subservice organization controls.

Service Organization's Responsibilities

Applied management is responsible for its assertion, selecting the trust services categories and associated criteria on which its assertion is based, and having a reasonable basis for its assertion. It is also responsible for:

- Identifying the Applied Cloud System and describing the boundaries of the System;
- Identifying the principal service commitments and system requirements and the risks that would threaten the achievement of its principal service commitments and service requirements that are the objectives of the System; and
- Identifying, designing, implementing, operating, and monitoring effective controls over the Applied Cloud System (System) to mitigate risks that threaten the achievement of the principal service commitments and system requirements.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the Assertion, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion, which includes:

- Obtaining an understanding of Applied's Cloud System relevant security, availability and confidentiality policies, procedures, and controls;
- Testing and evaluating the operating effectiveness of the controls; and
- Performing such other procedures as we considered necessary in the circumstances.

The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error. We believe that the evidence we obtained during our examination is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating Applied's cybersecurity risk management program. Accordingly, we do not express an opinion or any other form of assurance on its cybersecurity risk management program.

Inherent Limitations

Because of their nature and inherent limitations, controls may not prevent, or detect and correct, all misstatements that may be considered relevant. Furthermore, the projection of any evaluations of effectiveness to future periods, or conclusions about the suitability of the design and operating effectiveness of the controls to achieve Applied's Cloud System's principal service commitments and system requirements, is subject to the risk that controls may become inadequate because of changes in conditions, that the degree of compliance with such controls may deteriorate, or that changes made to the system or controls, or the failure to make needed changes to the system of controls, may alter the validity of such evaluations.

Opinion

In our opinion, management's assertion that the controls within Applied's Cloud System were effective throughout the period November 1, 2021 to October 31, 2022 to provide reasonable assurance that Applied's service commitments and system requirements were achieved based on the applicable trust services criteria is fairly stated, in all material respects.

CyberGuard Compliance, LLP

November 16, 2022
Las Vegas, Nevada

SECTION TWO: MANAGEMENT'S REPORT OF ITS ASSERTIONS ON THE EFFECTIVENESS OF ITS CONTROLS OVER APPLIED SYSTEMS, INC.'S APPLIED CLOUD SYSTEM BASED ON THE TRUST SERVICES CRITERIA FOR SECURITY, AVAILABILITY, AND CONFIDENTIALITY

November 16, 2022

Scope

We, as management of Applied, are responsible for:

- Identifying the Applied's Cloud System (System) and describing the boundaries of the System, which are presented in the section below (Attachment A) titled Applied Systems, Inc.'s Description of the Applied Cloud System (Description);
- Identifying our principal service commitments and system requirements (Attachment B);
- Identifying the risks that would threaten the achievement of its principal service commitments and service requirements that are the objectives of our system, which are presented in the section below (Attachment B)
- Identifying, designing, implementing, operating, and monitoring effective controls over Applied's Cloud System (System) to mitigate risks that threaten the achievement of the principal service commitments and system requirements; and
- Selecting the trust services categories that are the basis of our assertion.

In designing the controls over the System, we determined that certain trust services criteria can be met only if complementary user entity controls are suitably designed and operating effectively for the period November 1, 2021 to October 31, 2022.

Applied uses subservice organizations to supplement its services. The description of the boundaries of the system indicates that complementary subservice organization controls that are suitably designed and operating effectively are necessary, along with controls at Applied, to achieve Applied's service commitments and system requirements based on the applicable trust services criteria. The description of the boundaries of the system does not disclose the actual controls at the subservice organizations.

We assert that the controls within the system were effective throughout the period November 1, 2021 to October 31, 2022, to provide reasonable assurance that the principal service commitments and system requirements were achieved based on the criteria relevant to security, availability, and confidentiality set forth in the AICPA's TSP section 100, 2017 Trust Services Criteria for Security, Availability, Confidentiality, Processing Integrity, and Privacy, if subservice

organizations and user entities applied the complementary controls assumed in the design of Applied's Cloud System controls throughout the period November 1, 2021 to October 31, 2022.

Applied Systems, Inc.

ATTACHMENT A: APPLIED SYSTEMS, INC.'S DESCRIPTION OF ITS APPLIED CLOUD SYSTEM

System Overview

The System is comprised of the following components:

- ***Infrastructure***: The physical and hardware components of a system (facilities, equipment, and networks);
- ***Software***: The programs and operating software of a system (systems, applications, and utilities);
- ***Data***: The information used and supported by a system (transaction streams, files, databases, and tables);
- ***People***: The personnel involved in the operation and use of a system (developers, operators, users, and managers); and
- ***Procedures***: The automated and manual procedures involved in the operation of a system.

Infrastructure

Each Applied Cloud environment is consistently built in Applied's data centers with like technologies utilizing manufacturers including Cisco, Pure Storage, Dell, F5 Networks, VMware, Microsoft, and others. Applied owns and maintains all operating equipment within the contracted (colocation) space of the data center. At a minimum, all sites contain the following infrastructure:

- Redundant power feeds from separate UPS systems to each rack;
- Multiple Internet providers using BGP and diverse paths for redundancy in Internet connectivity;
- Redundant network infrastructure including firewalls, IDS/IPS, Domain & Geolocation shunning, DDoS protection, load balancers, switches, VPN devices and routers;
- 10 GB network connectivity support for all core devices;
- Fully virtualized server platform with servers in resource clusters based on load type;
- Physical hosts redundantly connected to SAN, network, and power components
- Virtual network segmentation for products and server purpose; and
- Remote control technologies including managed PDU's, secure console devices and remote server out-of-band management.

Applied Data Centers

Applied operates the Applied Cloud platform from within purpose-built colocation data centers geographically distributed to support its customers. Facilities are selected using a risk assessment process to identify locations that have a low risk of natural disaster from earthquake, flood, fire, windstorm or other severe weather conditions. Site selection also included consideration for local civil disruptions, power capacity and stability, proximity to

other high risks such as railways, airports, and selective manufacturing environments. Each data center has a SOC or country equivalent conducted annually.

Each colocation facility is sited at, and managed by, a subservice organization with skilled and experienced employees to provide core facility components to Applied. These include physical security and access controls; power systems including utility power, N+1 generator power, redundant UPS systems, redundant power distribution and switching components, and redundant circuits delivered to each rack; redundant heating, ventilation, and air conditioning (HVAC) systems; dry pipe and multi-zone fire detection devices with early smoke detection capabilities; video surveillance with 24-hour monitoring; and diverse telecommunications paths into the facility.

Specific features provided by the data centers include:

- **Highly Secure Environment**
    - Multiple layers of hardened physical security;
    - 24x7x365 on-site security presence;
    - Closed-circuit television surveillance with digital storage;
    - Multiple layers of electronically controlled card access;
    - Keyed access to physical Applied space;
    - Electronic key card readers; and
    - Facility verification of government issued photo IDs against approved access list.
- **Power Distribution**
    - Commercial grade high-capacity UPS system with complete isolation for redundancy;
    - Multiple 1,500+ KW generators for backup power with N+1 redundancy;
    - Minimum of five days of on-site fuel supply and extended refuel contracts;
    - Each circuit breaker backed by diverse power distribution units and diverse UPS infrastructures for the ultimate in uptime;
    - Isolated redundant UPS configuration providing industry's highest MTBF; and
    - Individual circuit load monitoring to ensure the best power management.
- **Environmental Control**
    - Temperature above floor maintained between 64 and 78 degrees; humidity maintained between 40 and 60 percent;
    - Redundant HVAC with minimum of 30 percent reserved capacity installed;
    - Sufficient air handling units for N+1 redundancy; and
    - Multiple glycol cooling units for N+1 redundancy.
- **Fire Detection/Prevention**
    - Zoned dry-piped, pre-action sprinkler system; and
    - Zoned VESDA (Very Early Warning Smoke Detection) system throughout the data center.

- **Private/Point-to-point network connectivity**
    - Applied provides connectivity options for VPN solutions between Applied data center and some clients' facilities, as required; and
    - Applied supports the use of MPLS connectivity into the Applied Cloud environment for customers who prefer to use network connectivity with carrier provided service level agreements.
- **Connectivity** (Availability and selection of carriers varies by location)
    - Diverse entry paths into each facility;
        - Luman;
        - Comcast;
        - Zayo;
        - SunGard;
        - Equinix;
        - Bell CanadaPeer1;
        - BritishPeer1

Software

Applied leverages Microsoft® technologies for nearly all its virtual machine operating systems. Authentication services are provided through Microsoft Active Directory, database services are provided through Microsoft SQL Server, and web services mostly provided through Microsoft IIS. Other operating systems may be found on specialty devices, custom hosting environments built to customer specifications, and limited infrastructure management toolsets.

Application products developed by Applied and operating from the data center include:

- *Analytics*
    - Applied Analytics - Applied Analytics is the first analytics application designed specifically to transform an agency or brokerage's data into visual business insights, looking at all aspects of an organization's business – from operational performance to employee success, insurer relationships, and complete book of business analysis.
- *Agency and Brokerage Management Systems*
    - Applied Epic - Applied Epic is the insurance industry's fastest-growing agency and brokerage management system. Epic's modern, flexible and secure architecture provides agencies and brokerages with a single platform that scales as the company grows.
    - Applied TAM - Applied TAM was the most-widely used agency management software in the insurance industry for business automation. For nearly 40 years, Applied TAM has provided insurance agencies and brokerages with the leading software to manage day-to-day operations across their business.
    - Applied Vision (US only) - Applied Vision is designed for agencies that manage complex business structures and complicated commercial lines of coverage,

specialty lines of business or nontraditional niche markets. Vision provides visibility and automation capabilities that enable agents to save time, mitigate risk and reduce operating expenses.

- o Applied DORIS (US only) - Applied DORIS is an easy-to-use online agency management system, enabling smaller agencies to remain competitive and grow their business.

- **Mobile**
  - o Applied Mobile - Applied Mobile is the first independent agent mobile application designed specifically for insurance producers. With its intuitive interface, producers can access and manage client and prospect information in their agency management system through a tablet to more effectively serve clients for increased sales and customer satisfaction. Applied Mobile includes integrated productivity and risk assessment tools that maximize producers' time and service capabilities outside the agency.
  - o Applied MobileInsured - Delivers accurate, convenient access to the most current insurance information at the tap of an icon. Applied MobileInsured™ is the industry's first native, branded mobile application built specifically for agencies, so customers can interact with the business when and how they prefer. Available through Applied CSR24®, the mobile app delivers the latest policy details to clients d7irectly on their mobile device.

- **Rating Services**
  - o Applied Rating Services – Applied Rating Services is a comprehensive rating services portfolio that automates rating workflows through tight integration with brokerage management systems. It improves lead management and elevates customer service through eSignature capabilities.

- **Customer Self-Service**
  - o Applied CSR24 - Applied CSR24 is the on-demand customer self-service application designed to allow customers instant access to their insurance information. Its customizable and secure online platform gives agencies and brokers the ability to provide personalized online client service, resulting in increased customer retention and satisfaction, while mitigating risk and reducing operating expenses to drive sustainable growth and profitability.

- **Insurer Interface**
  - o IVANS Download (US only) - IVANS Download offers batch automated updating of an agency's database with important information from carrier databases about renewals, endorsements, new business, cancellations and reinstatements for more up-to-date and efficient business transactions.
  - o IVANS Real-Time (US only) - IVANS Real-Time offers real-time automated data exchange with important information from carrier databases about renewals, endorsements, new business, cancellations and reinstatements for more up-to-date and efficient business transactions.
  - o Applied WARP (CN only) - Applied WARP keeps on top of the insurance market through real-time, automated data exchange with insurers. Client brokerage

will be able to respond to customer inquiries, return quotes and close sales before a prospective client leaves the office or hangs up the phone.

Data

Applied acts as the data processor for agency/broker and carrier information stored or transmitted through the Applied Cloud environment. Specifics include:

- Customer data stored within the Applied Cloud environment is classified as CONFIDENTIAL to all Applied staff;
- Applied stores data in one of the aforementioned data centers, which is backed-up daily and replicated to its paired site for disaster recovery;
- In addition to stored/hosted data being encrypted at rest, Applied uses secure communications channels for data transmitted through the application or Web services between the end-user and the data center, and
- Applied destroys data from online storage after 45 days of the cancellation of a contract, and data expires from backup media in accordance with its backup retention policy.

People

The competence of employees is key element of the Applied Cloud environment. Applied is committed to the development of its employees and the recruitment of qualified professionals to support the growth of Applied's business.

A dedicated team of technology professionals are responsible for the design, deployment, management, administration, and monitoring of the Applied Cloud environments. The data Cloud Services team consists of staff specializing in the storage, server, network, application, virtualization, security, monitoring, and SQL technologies. This includes but is not limited to engineers, application administrators, a 24x7x365 operations team, and DevOps resources. All teams report up through the senior vice president of Cloud Services.

It is the responsibility of these team members to maintain the data center and the related software applications in a working state for the Applied Cloud customer base. This includes managing resources against capacity requirements, provisioning new orders, monitoring for system and application health, performing routine application updates and patch management at the OS and application layers, and monitoring for and remediating security threats.

Key positions are as follows:

Executive Vice President, Customer Experience is responsible for Applied's customer delivery strategy and operational execution for Applied's Professional Services, Support and Cloud-based solutions.

Senior Vice President of Cloud Services, heads global IT operations for Applied's Cloud Hosting and corporate IT services and oversees the operations of Applied's four global data centers.

Chief Information Security Officer heads the Office of Information Security for Applied. Leads all information security related initiatives, including management of the information security program, which includes formalizing a cyber-risk management strategy, continuous governance and compliance exercises, as well as vulnerability management practices and incident response procedures.

Vice President of Application Development directs the technology, architecture, and application development of Applied's products.

Vice President of Product Operations is responsible for developing the product roadmap for Applied Cloud administration and management applications, and consulting with the Applied application development teams to represent the unique requirements that come with hosting and updating Applied applications in the data center.

Director of Internal Application Development directs the technology, architecture, and application development of internal and data center information systems and integrations.

Director of Data Center Engineering leads the team responsible for the architecture, deployment, and support of technology within the Applied Cloud data centers.

Procedures

Applied provides multiple technology platform services to its customers from the Applied Cloud environment through a subscription of services. These include agency and brokerage management systems, carrier interface, reporting services, and consumer-focused products.

Applied has a series of procedures to provision new subscriptions for service provided by the Applied Cloud platform. These steps include:

- Setup new client entities based on executed services and business associate contracts;
- Provisioning of dedicated resources if subscribed to Private Cloud Services;
- Modify backup and monitoring policies to include new resources;
- Verify product access is customer ready; and
- Setup initial authorized application administration account and provide information to customer in a secure manner.

Once new system subscriptions are created and administrative users for the client account have been established within the system, the following activities occur to ensure that services are available for client use:

- Resources actively monitored for available and capacity management;
- System performance metrics reviewed;
- Backup and restore procedures performed;
- Application updates managed;
- Customer communications distributed to advise of maintenance schedules, product updates, and other relevant information;
- Ongoing security management, assessments, and remediation; and
- Termination of access when customer cancels service, including the removal of data in accordance with the defined policy after a designated holding period.

Incident Disclosure

No security incidents were detected or reported during the audit period that would affect Applied System's service commitments or system requirements.

Complementary Subservice Organization Controls

Certain principal service commitments and system requirements can be met only if complementary subservice organization controls (CSOC) assumed in the design of Applied's controls are suitably designed and operating effectively at the subservice organizations, along with related controls at Applied.

Description of Complementary User Entity Controls

Applied controls were designed with the assumption that certain controls would be implemented by user entities (or "customers"). Certain requirements can be met only if complementary user entity controls assumed in the design of Applied's controls are suitably designed and operating effectively, along with related controls at Applied.

ATTACHMENT B: PRINCIPAL SERVICE COMMITMENTS AND SYSTEM REQUIREMENTS

Company Background

Since 1983, Applied Systems, Inc. ("Applied") has led an industry Applied helped to create with a mission to continuously improve the business of insurance. Insurance agencies and brokerages have faced new challenges and demands on their businesses over time, and Applied has been there to guide them. Applied has been at the forefront of insurance technology, leading the way through innovation. As the insurance industry becomes increasingly global, Applied is delivering new technology and expanded multinational capabilities for this changing marketplace.

Headquartered in University Park, Illinois, Applied serves 14,000 clients worldwide. Applied is a leading provider of hosted software solutions, providing applications for agencies, brokers, and insurers. These software solutions are available from a combination of Applied public, private and third-party cloud services through Applied Cloud Services ("Applied Cloud") product offerings, depending on the needs of Applied's customers. The Applied Cloud services and their related controls, including system redundancy, are key differentiators in providing and maintaining a high availability, 24/7 access for customers. The scope of this report covers the hosting services which houses data within Applied's colocation environments located within the United States, Canada, and the United Kingdom.

Additional data center differentiators include:

- **High Availability Platform**
  - Purpose-built data centers classified as Tier 3+ as defined by the Uptime Institute;
  - Multiple Internet connections to provide redundant Internet access for Applied's clients business;
  - Excess capacity within each center to act as the disaster recovery destination for an opposing site;
  - High availability and redundancy within each site, including uninterruptable power supply and climate control;
  - Redundant firewalls and networking infrastructure; and
  - Resource pool of servers operating in a highly available cluster to allow immediate recovery for any localized failure.
- **Data Protection and Integrity**
  - All backups preformed to disk targets then replicated to the data centers, ensuring that tapes are not lost, misplaced, or damaged while in transit; and
  - 24/7/365 operation, with constant monitoring and performance of first level problem resolution against the cloud environment.

- **Advanced Security**
  - All databases stored in the Applied Cloud environment leverage AES-256 data-at-rest-encryption (DARE) which is FIPS 140-2 certified,
  - Network monitoring and testing protect data classified as personal information (also referred to as personally identifiable information or personal data).
  - Internet traffic protected by a minimum of 256-bit, bi-directional, packet-level encryption; and
  - Advanced building design protects the data center floor from exterior penetration, maintains complex video surveillance, strict access control policies and the use of mantraps, biometric systems and on-site security guards.

Applied Cloud provides clients' business with the flexibility, security and business continuity to drive business growth and profitability. By hosting the Applied solution in the cloud, clients gain best in class technology to support online product needs. Applied is committed to continually investing in the online environment to support the business growth.

Applied Cloud System Overview

Applied provides market leading software applications, including Applied Epic, Applied CSR24, Applied Mobile, Applied Rating Services, IVANS E-Commerce Service (ECS), and other products to Applied's customers from the Applied Cloud environment. Agency/broker management systems are provided through a Software-as-a-Service model, with customers purchasing software use rights for the number of users required. Each agency or brokerage management system has different operating requirements and is presented to the end user over the best delivery method to support a rich end-user experience.

Description of Services Provided

Applied's leading global cloud software automates the exchange of information and data throughout the insurance lifecycle among agents, brokers, insurers, and consumers throughout the United States, Canada, the Republic of Ireland, and the United Kingdom. By enabling greater access to information and streamlining workflows, Applied's customers can capitalize on new opportunities, increase the efficiency and profitability of their business, and continuously deliver the high-level service that customers expect.

The Applied portfolio consists of some of the following components:

- Applied Epic is the world's most widely used management platform. It allows agencies to manage and maintain a clear picture of its entire agency across all roles, locations and lines of business, including both P&C and benefits.

- Applied CSR24 allows for the convenience to provide self-service to customers. Its online and mobile customer self-service application is the first of its kind in the industry that keeps customers and systems connected to clients' business.
- IVANS is a technology to connect to current partners and easily access new markets and automate policy information exchange.
- Applied Mobile the ability to service customers anytime, anywhere with on-demand access to a single, up-to-date view of customer and business information at the touch of an icon.
- Applied Rating Services provides the most accurate pricing and rate comparisons for automobile and property risks.

Principle Service Commitments and System Requirements

Applied describes the services and scope of work provided to its clients through Applied software and services agreements and the organization's public website. Services and responsibilities are documented and agreed upon by both parties in the Applied Master Agreements, and contracts must be established before services are provided. Applied designs its software solutions to meet contractual commitments. These commitments are based on the services that Applied provides to its clients.

Security commitments are documented and communicated to customers within these agreements, which include, but are not limited to, the following:

- Maintain appropriate administrative, physical, and technical safeguards to protect the security and integrity of the Applied Cloud platform and customer data in accordance with Applied's security requirements.
  - Reporting on Controls at a Service Organization Relevant to Security, Availability, and Confidentiality (SOC 2) examinations.
- Use formal HR processes, including background checks, code of conduct and company policy acknowledgements, security awareness training, disciplinary processes, and annual performance reviews.
- Use of encryption technologies to protect customer data both at rest and in transit over untrusted networks.
- Use of firewalls, IP shunning devices, and network segmentation to restrict data flow.
- Infrastructure security monitoring including intrusion detection systems, centralized log management and alerting.
- Prevent malware from being introduced to production systems.
- Vulnerability Management program designed to identify and correct vulnerabilities within the environment in a timely manner.
- Incident Response program designed to minimize the impact of cyberattacks and protect resources.
- Geographically separated data centers with multi-layered physical security controls.

Applied establishes system and operational requirements that support the achievement of the principal service commitments, applicable laws and regulations, and other system requirements. These requirements are communicated in Applied's policies and procedures, system design documentation, and/or in customer contracts. Information Security policies define how systems and data are protected. These policies are updated as appropriate based on evolving technologies, changes to the security threat landscape, and changes to industry standards, provided any updates do not materially reduce the service commitments or overall service provided to customers as described in the customer contracts.

Applied regularly reviews the security, availability, confidentiality and performance metrics to ensure these commitments are met. If material changes occur that reduce the level of security, availability, confidentiality commitments within the agreement, Applied will notify the customer via the Applied's website or directly via email.