



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 October 1, 2023 to March 31, 2024





TABLE OF CONTENTS

Section 1	Report of Independent Accountants 1
Section 2	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 4
Section 3	Applied Systems, Inc.'s Description of its Applied Cloud System 6



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 the Applied Cloud System (System) were effective throughout the period October 1, 2023 to March 31, 2024, 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 Applied Cloud System relevant to 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. We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to our examination engagement.

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 Applied 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 Applied Cloud System were effective throughout the period October 1, 2023 to March 31, 2024 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

April 15, 2024 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

April 15, 2024

Scope

We, as management of Applied, are responsible for:

- Identifying the Applied's Applied Cloud System (System) and describing the boundaries of the System, which are presented in the section below titled "Applied Systems, Inc.'s Description of its Applied Cloud System" (Description);
- Identifying our principal service commitments and system requirements
- 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
- Identifying, designing, implementing, operating, and monitoring effective controls over Applied's Applied 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 October 1, 2023 to March 31, 2024.

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 October 1, 2023 to March 31, 2024, 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 Applied Cloud System controls throughout the period October 1, 2023 to March 31, 2024.

Applied Systems, Inc.

SECTION THREE: APPLIED SYSTEMS, INC.'S DESCRIPTION OF ITS APPLIED CLOUD SYSTEM

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 services which houses data within Applied's colocation environments and third-party cloud services 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 and 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-atrest-encryption (DARE) which is FIPS 140-2 certified,
- Network, application, and asset 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 Platform, and other products to Applied's customers from the Applied Cloud environment. Agency/broker management systems are provided through a Software-as-a-Service (SaaS) 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 their 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.

Principal 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 System 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 & prevention 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, and confidentiality commitments within the agreement, Applied will notify the customer via the Applied's website or directly via email.

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.

Incident Disclosure

No security incidents have been 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 operate effectively, along with related controls at Applied.