



System and Organization Controls (SOC) 3 Report

Management's Report of Its Assertions on Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC's Legal and Identity Theft Services and CLC Application Systems Based on the Trust Services Criteria for Security, Availability and Confidentiality

For the Period February 1, 2023 to January 31, 2024





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SECTION ONE: REPORT OF INDEPENDENT ACCOUNTANTS

To: Management of Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC

Scope

We have examined management’s assertion, contained within the accompanying “Management’s Report of Its Assertions on the Effectiveness of Its Controls over Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC’s Legal and Identity Theft Services and CLC Application Systems Based on the Trust Services Criteria for Security, Availability and Confidentiality” (Assertion) that Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC’s controls over the Legal and Identity Theft Services and CLC Application Systems (System) were effective throughout the period February 1, 2023 to January 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 Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC ‘s (“Service Organization” or “PPLSI” or “CLC”) 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 Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC ‘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.

PPLSI uses a subservice organization to provide hosting production 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 PPLSI to achieve PPLSI’s service commitments and system requirements based on the applicable trust services criteria. The description of the boundaries of the system discloses the actual controls at the subservice organization. Our examination included the services provided by the subservice organization, and we have evaluated the suitable design or operating effectiveness of such complementary subservice organization controls.

CLC uses a subservice organization to provide hosting production 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 CLC to achieve CLC's service commitments and system requirements based on the applicable trust services criteria. The description of the boundaries of the system discloses the actual controls at the subservice organization. Our examination did not include the services provided by the subservice organization, and we have not evaluated the suitable design or operating effectiveness of such complementary subservice organization controls.

Service Organization's Responsibilities

Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC managements are 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 Legal and Identity Theft Services and CLC Application Systems 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 Legal and Identity Theft Services and CLC Application Systems (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 Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC 's Legal and Identity Theft Services and CLC Application Systems 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 Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC '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 Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC 's Legal and Identity Theft Services and CLC Application Systems' 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 Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC 's Legal and Identity Theft Services and CLC Application Systems were effective throughout the period February 1, 2023 to January 31, 2024 to provide reasonable assurance that PPLSI'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 8, 2024
Las Vegas, Nevada



SECTION TWO: MANAGEMENT’S REPORT OF ITS ASSERTIONS ON THE EFFECTIVENESS OF ITS CONTROLS OVER PRE-PAID LEGAL SERVICES, INC. AND EAP, INC. DBA CLC’S LEGAL AND IDENTITY THEFT SERVICES AND CLC APPLICATION SYSTEMS BASED ON THE TRUST SERVICES CRITERIA FOR SECURITY, AVAILABILITY AND CONFIDENTIALITY

April 8, 2024

Scope

We, as management of Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC , are responsible for:

- Identifying the Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC ’s Legal and Identity Theft Services and CLC Application Systems (System) and describing the boundaries of the System, which are presented in the section below titled “Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC’s Description of its Legal and Identity Theft Services and CLC Application Systems” (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 Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC ’s Legal and Identity Theft Services and CLC Application Systems (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 February 1, 2023 to January 31, 2024.

PPLSI uses a subservice organization to provide hosting production 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 PPLSI, to achieve PPLSI’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 organization.

We assert that the controls within the system were effective throughout the period February 1, 2023 to January 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 Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC 's Legal and Identity Theft Services and CLC Application Systems controls throughout the period February 1, 2023 to January 31, 2024.

Pre-Paid Legal Services, Inc. and EAP, Inc. dba CLC

SECTION THREE: PRE-PAID LEGAL SERVICES, INC. AND EAP, INC. DBA CLC'S DESCRIPTION OF ITS LEGAL AND IDENTITY THEFT SERVICES AND CLC APPLICATION SYSTEMS

Company Background

Founded in 1972 in Ada, Oklahoma, Prepaid Legal Services, Inc. (PPLSI) is the only carrier who specializes and offers a proprietary service that provides a legal (LegalShield) and identity theft solution (IDShield). PPLSI markets its products through three main business channels: 1. Business-to-Business, 2. Direct to Consumer and 3. Network Marketing.

With LegalShield, participants are provided direct access to a dedicated provider law firm. IDShield, LegalShield's identity theft and online privacy protection benefit provides identity, credit, social media as well as financial account monitoring in addition to consultation and full-service restoration services. Restoration services are completed by a team of dedicated licensed private investigators.

EAP, Inc. dba CLC, is a subsidiary of PPLSI. It is a service provider of legal and identity theft solutions for employee assistance programs (EAP), membership associations, and insurance companies. The Company's vision is to facilitate legal and identity theft services by utilizing CLC's services.

The PPLSI's corporate operation is headquartered in Ada, Oklahoma, with one remote call center located in Duncan, OK and third-party call centers utilized within the US and Canada. The headquarters facility consists of a 177,000 square foot facility that houses all operational departments supporting membership application entry and related processing. The facility houses call centers handling customer service for members and associates, including staff responsible for commission payments, receipt of membership fees, general ledger accounting, human resources, internal audit, and a department that manages and monitors provider law firm relationships. The IT data centers are in the headquarters facility and at a third-party colocation facility in Oklahoma City, Oklahoma. PPLSI uses internal IT expertise and follows internal business and IT policies and procedures to support its daily IT administration and service operation.

Description of Services Provided

PPLSI markets two products: PPLSI and IDShield:

- **PPLSI** - Instead of paying a lawyer's expensive hourly fees, the customer pays a small monthly fee and gets access to experienced lawyers that can help them with their legal issue.

- **IDShield** – Protection of its customers’ cybersecurity with identity and credit monitoring IDShield not only alerts the customers about threats, but it also works for as long as it takes to restore its customers’ identity.

CLC markets three products: Legal, Mediation and Identity Theft:

- **Legal Solutions** - The CLC Legal Access Plan is a comprehensive legal solution designed to assist consumers with the potentially catastrophic loss caused by escalating legal fees and to provide affordable legal resources to individuals and their families during their time of need.
- **Mediation Solutions** – Mediation is a process where a trained mediation professional assist disputing parties with resolving legal issues. Mediators do not give legal advice but can offer their opinion regarding settlement solutions and are experts in structuring settlement agreements.
- **Identity Solutions** - CLC’s identity theft protection program defends its members against identity theft in three (3) unique ways: Identity monitoring, identity protection and identity recovery. fraud resolution to counter the growing need of consumers who are concerned about or are victims of identity theft.

Principal Service Commitments and System Requirements

PPLSI’s and CLC’s security, availability, and confidentiality commitments to customers are documented and communicated to customers in the Associate and Member agreements. PPLSI and CLC security requirements are documented and published on the customer-facing website. Standard security, availability, and confidentiality commitments include, but are not limited to:

- Maintain appropriate administrative, physical, and technical safeguards to protect the security and integrity of the Information Technology platform and the customer data in accordance with PPLSI’s and CLC’s security requirements
- Perform regular security audits of the environment
- Use formal HR processes, including background checks, code of conduct and company policy acknowledgements, security awareness training, disciplinary processes, and annual performance reviews
- Follow formal access management procedures for the request, approval, provisioning, review, and revocation of PPLSI and CLC personnel with access to any production systems
- Prevent malware from being introduced to production systems
- Use industry-standard secure encryption methods to protect customer data at rest and in transit
- Maintain a disaster recovery and business continuity plan to ensure availability of information following an interruption or failure of critical business processes
- Maintain and adhere to a formal incident management process, including security

incident escalation procedures

- Maintain confidentiality of customer data and notify customers in the event of a data breach

PPLSI and CLC regularly review security, availability, confidentiality, and performance metrics to ensure these commitments are met. If material changes occur that decrease the level of security, availability, or confidentiality commitments within the agreement, PPLSI and CLC will notify the customer directly.

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)
- ***Procedures*** - The automated and manual procedures involved in the operation of a system

Incident Disclosure

No security incidents were detected or reported during the audit period that would affect PPLSI's and CLC'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 PPLSI's controls are suitably designed and operating effectively at the subservice organizations, along with related controls at PPLSI.

Description of Complementary User Entity Controls

PPLSI 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 PPLSI's controls are suitably designed and operate effectively, along with related controls at PPLSI.