



System and Organization Controls (SOC) 3 Report
Management's Report of Its Assertions on Pre-Paid Legal Services,
Inc.'s Legal Services System Based
On the Trust Services Criteria for Security, Availability and
Confidentiality

For the Period February 1, 2022 to January 31, 2023





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SECTION ONE: REPORT OF INDEPENDENT ACCOUNTANTS

To: Management of Pre-Paid Legal Services, 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 Pre-Paid Legal Services, Inc.’s Legal Services System Based on the Trust Services Criteria for Security, Availability and Confidentiality” (Assertion) that Pre-Paid Legal Services, Inc.’s controls over the Legal Services System (System) were effective throughout the period February 1, 2022 to January 31, 2023, 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. ’s (“Service Organization” or “PPLSI”) 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 PPLSI’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 for data center hosting 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. 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.

Service Organization’s Responsibilities

PPLSI 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 Legal Services 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 Legal Services 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 PPLSI's Legal Services 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 PPLSI'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 PPLSI's Legal Services 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 PPLSI's Legal Services System were effective throughout the period February 1, 2022 to January 31, 2023 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

March 15, 2023

Las Vegas, Nevada



SECTION TWO: MANAGEMENT’S REPORT OF ITS ASSERTIONS ON THE EFFECTIVENESS OF ITS CONTROLS OVER PRE-PAID LEGAL SERVICES, INC.’S LEGAL SERVICES SYSTEM BASED ON THE TRUST SERVICES CRITERIA FOR SECURITY, AVAILABILITY AND CONFIDENTIALITY

March 15, 2023

Scope

We, as management of PPLSI, are responsible for:

- Identifying the PPLSI’s Legal Services System (System) and describing the boundaries of the System, which are presented in the section below (Attachment A) titled Pre-Paid Legal Services, Inc.’s Description of the Legal Services 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 PPLSI’s Legal Services 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 February 1, 2022 to January 31, 2023.

PPLSI uses a subservice organization for data center hosting 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, 2022 to January 31, 2023, to provide reasonable assurance that the principal service commitments and system requirements were achieved based on the criteria relevant to relevant 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 PPLSI's Legal Services System controls throughout the period February 1, 2022 to January 31, 2023.

Pre-Paid Legal Services, Inc.

ATTACHMENT A: PRE-PAID LEGAL SERVICES, INC.'S DESCRIPTION OF THE LEGAL SERVICES 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)
- **Procedures** - The automated and manual procedures involved in the operation of a system

Infrastructure

The IT network operates on a Microsoft Windows-based platform, using IBM client access to connect to their proprietary Customer Relationship Management software on the IBM System i. The IBM System i also houses a DB2 database that is the primary data store for the business. For security and redundancy purposes, multiple servers are used for various service delivery functions and applications.

PPLSI's infrastructure consists of two IBM Power Systems, one at each data center location. These servers support the core business applications and databases with real-time replication between the systems. In addition, there are a number of cloud services and virtual machines supporting various functions. Employees use desktop PCs, laptops running Windows and macOS productivity applications, and as well as Power Systems terminal emulation on a Windows server network.

- One Primary Database server and one Backup Database server
- Multiple Web servers
- Multiple Domain Control servers
- Security servers are deployed for intrusion detection, centralized logging, application scanning, device scanning and file integrity
- F5 and Fortinet Firewalls deployed
- Talkdesk Cloud Based Contact Center Solution

Software

The business develops critical applications in-house, which are supported by internal staff and contractors. These applications include member application entry, commissions, cash receipts, credit card processing, electronic bank draft, premium billing, claims, customer relationship management, web sites, mobile, group sites, and intake management administration for provider attorneys. Applications and critical business data are hosted in a hybrid hosting model.

PPLSI uses multiple software and utilities to configure, develop, and support the in-scope infrastructure and applications, including:

- CodeFresh – CI/CD Vendor
- Puppet - Software Config and Management Tool (industry standard, everyone uses this)
- Terraform - Cloud Config, deploy and management tech (about half the industry uses this)
- Artifactory - Internal Package Registry
- Docker – Container engine
- AWS - Elastic Container Registry – Container image repository
- GitHub – Online source code control repository and Package Registry

Data

All information is stored on PPLSI servers located in the United States. Information is treated as an asset that must be protected against loss and unauthorized access. Procedural and technical safeguards are in place to protect personal information against loss or theft as well as unauthorized access and disclosure. Security technologies are utilized to protect information from unauthorized access inside and outside of PPLSI.

Extended Validation Secure Socket Layer certificates are in use when personal information is uploaded or viewed on the PPLSI website. Each associate and member have a unique username and password that must be entered every time a user logs on to the website. Firewalls and layered security technologies prevent interference or access from outside intruders. The website is hosted on servers located in a secure data center.

PPLSI collects non-public personal information from the following sources:

- Information that is received from applications or other forms such as name, address, social security number, and payment instructions
- Information that is provided during visits to the PPLSI web site or calls to customer service representatives
- Information about customers' transactions with PPLSI, its affiliates or others.

PPLSI does not disclose non-public personal information about customers or former customers to non-affiliated entities except as described below and otherwise permitted by

law. PPLSI may disclose information collected, as described above, to Provider Law Firms and companies that assist in the servicing or administration of the product that has been requested and authorized.

When information is shared with companies that perform services on behalf of PPLSI, PPLSI protects against the subsequent disclosure of that information with a confidentiality agreement.

People

The following functional roles/teams comprise the framework to support effective controls over governance, management, security, and operation:

Warren Schlichting, Chief Executive Officer, was named CEO of PPLSI in December 2022. Schlichting began his career with Morgan Stanley in their M&A group and served in executive positions at the William E. Simon private equity group. He has served in many top executive positions in several publicly and privately held companies such as Comcast, Sling TV and DISH. Other areas of service include a three-year stint as CEO of Hiwire, a Los Angeles-based Internet ad technology start-up, and six years as CEO of Yucatan Foods, a venture he co-founded, advised and recently sold. He co-founded Camden Asset Management, a convertible arbitrage hedge fund, and has served on a number of company boards. Most recently, he served as Executive Vice President and Chief Operating Officer at Poly, formerly Plantronics and Polycom. Schlichting has received numerous industry awards and is a frequent keynote speaker and guest panelist. An annual selection to the *Cable Top 100 Heavy hitters* and two-term Board member of the Interactive Advertising Bureau (IAB), he also served on the board of Invidi, a data-driven ad-technology joint venture he championed between DISH and DirecTV. At present he is an advisor to Konvoy Ventures, an esports venture capital fund. Schlichting currently serves on the Board of the Boys & Girls Clubs of Metro Denver and prior to that helped found the Philadelphia chapter of Summer Search, an organization dedicated to providing mentoring and summer experiences to kids for whom these would be otherwise unattainable. Schlichting enjoys time with his family, is an avid fisherman, slow biker and enthusiastic golfer.

Kathy Pinson, EVP, Chief Operations Officer, currently serves as PPLSI's Chief Operating Officer, working with and supporting all Vice Presidents of PPLSI, coordinating all administrative functions within the home office and field operations. With the company since 1979, Kathy has served with distinction in a number of roles, including Controller, Board Member, Secretary/Treasurer, Vice President of Marketing Administration and Executive Vice President of Operations. Ms. Pinson is a Certified Public Accountant and served more than 20 years managing the regulatory compliance division of the company.

Steve Williamson, EVP, Chief Financial Officer, serves as the Chief Financial Officer for PPLSI. Prior to joining the company, he was the CFO for Peripheral Enhancements, Inc. from April 1997 to March 2000. Steve served as Director in Charge of Banking Practice for Horne & Company, a public accounting firm, from November 1983 to April 1997. After graduating from

East Central University in 1982, he began his career with the international accounting firm KPMY. Steve joined PPLSI as Chief Financial Officer in 2000. He is a Certified Public Accountant (CPA) and is a past board member and banking committee chair of the Oklahoma Society of CPAs.

Darnell Self, EVP of Network & Business Development, after earning a degree in public relations at Bowie State University, Darnell Self joined PPLSI in 1998. He has shared his vast experience in team building, personal development, and entrepreneurship since day one. These experiences allowed Mr. Self to orchestrate a duplicable system, garnering recognition in numerous business publications and the esteemed title of Entrepreneur of the Year by the National Black Chamber of Commerce. He is also a mentor to thousands of thriving entrepreneurs and has been asked to share his expertise with business students on several university platforms. Coming from humble beginnings, Mr. Self has devoted his time and efforts to give people, no matter the circumstance, an opportunity to actualize their own success. This level of commitment has resulted in dozens of PPLSI Ring Earners and over a dozen Millionaire Club Members. Mr. Self and his colleague Michael Humes also collaborated to create Fertile Ground – an organization designed to allow others to experience the power of giving.

Keri C. Norris, EVP, Chief of Lawyer Services, joined PPLSI as its first General Counsel in 2003. Today, she oversees the company's proprietary network of law firms and lawyers providing legal service to PPLSI members. She also serves as a senior member on the company's executive management team. Prior to joining PPLSI, she was an associate attorney at Crowe & Dunlevy in Oklahoma City and at Hunton & Williams in Raleigh, North Carolina, where she specialized in commercial litigation, intellectual property litigation, and creditor's rights and bankruptcy. Ms. Norris is a member of the Association of Corporate Counsel of America, American Bar Association, the Oklahoma and North Carolina Bar Associations. She serves on the American Bar Association Standing Committee on Group & Prepaid Legal Services and the Group Legal Services Association. She earned a B.A. (English) and a J.D., both summa cum laude, from Oklahoma City University.

Arnold Blinn, EVP, Chief Technology Officer, most recently Arnold was the Chief Product Architect at GoDaddy where he spent seven years helping to redefine the product architecture, integration, and technical strategy of the company. Prior to joining GoDaddy Arnold was a Partner Architect at Microsoft Corporation. He spent 17 years working on the Windows Phone, Xbox, Windows Live, and MSN in a variety of roles driving product teams and division level product architecture. He also ran several new product incubation teams during this time, including several domains and DNS related services that ultimately became parts of O365 and part of Azure. Before Microsoft Arnold was the co-founder of eShop, an early pioneer in online commerce and electronic shopping. This company was acquired by Microsoft in 1996 and formed the basis of Microsoft Commerce Server. Arnold has approximately 40 patents issued and another 40 pending in electronic commerce, digital rights management, photo manipulation, domains and other online services. He holds a B.S.

degree in Mathematics (Computer Science) from Carnegie Mellon University. Arnold has also served as a visiting scholar and has served on the University and Department of Computer Science Alumni Advisory Boards at Carnegie Mellon University.

Glen Peterson, President of Business Solutions, is President of the Business Solutions division, responsible for business development, strategy and sales growth for PPLSI's affinity, broker, voluntary benefits, national accounts and small business divisions. He has 25 years of experience in the benefit space and is an industry expert in the worksite voluntary benefits arena. Glenn previously served as SVP of PPLSI's Broker and Partnership Sales and was a VP at Metlife for nearly 10 years. He has managed and led many successful voluntary benefit sales organizations making him well-versed in voluntary benefits.

Don Thompson, President of Network Division, joined PPLSI in 1996 as an Independent Associate. During his career as an associate, Mr. Thompson has earned many top achievements, business builder, and production awards. He has served in many field leadership positions including Regional Vice President of Florida, Business Vice President of Florida, Ohio, and Michigan, and most recently, Sr. Network Vice President of 26 states and 2 provinces of Canada. Mr. Thompson has mentored and trained thousands of associates by teaching the fundamentals of leadership and personal development. Don Thompson was named President of the Network Division in December, 2018. He is a graduate of John Carroll University, Boler School of Business, with a degree in Business Administration. Don is married to Angela, and has two boys, Matthew and David.

PPLSI is committed to equal opportunity of employment, and all employment decisions are based on merit, qualifications, and abilities. Employment-related decisions are not influenced or affected by an employee's race, color, nationality, religion, sex, marital status, family status, sexual orientation, disability, or age. PPLSI endorses a work environment free from discrimination, harassment, and sexual harassment.

Procedures

New Member and Group Accounts

PPLSI has a series of procedures to set up new member and group accounts that use its legal services and identity theft products, including:

- Set up new member accounts based on the type of plan purchased
- Set up secure data transfer for group accounts
- Set up individual authorized member users and group accounts for their web platform

Once new member accounts have been established within the system, the following activities occur to ensure services are performed accurately, completely, and timely:

- Member Services Representatives answer calls from members about services
- Quality assurance reviews Member Services calls

- Provider Services Representatives help members with complaints and referrals

The system has statistical information management tools for recording all services during the circle of the process workflow, including the services volume, services turnaround time. Additionally, the system has built-in audit trails for tracking all information alteration or correction activities. All system informational changes performed are recorded by the system with a time stamp.

Secure Access to Information Assets

PPLSI communicates the established security policies, user rights and responsibilities, and restrictions to the employees of the company. Management performs annual reviews of user access profiles and ensures that the appropriate people are assigned to those profiles. The number of employees that have administrator rights to hardware or applications is restricted.

Logs are reviewed to ensure that the use of administrative rights is appropriate. The setup, change, or elimination of user rights follows established procedures.

PPLSI performs intrusion detection testing. All firewall and networking hardware is reviewed for proper configuration and proper software levels. Firewall and network logs are reviewed for security events. Potential security or intrusion events are monitored on the network and servers. Remote access is restricted, controlled, and required to have security authentication before allowing access. Data that is sensitive is transmitted in a protected format, such as through a VPN or with appropriate levels of encryption.

Develop, Acquire, Implement, and Maintain Software

PPLSI has established procedures for the systems development lifecycle, project management, and change management to govern applications development and maintenance. These procedures are designed to facilitate an orderly development process with appropriate review, testing, and audit trails, ensuring segregation of duties between programmers and the production environment.

PPLSI reviews system events and activity logs. Processes are used to ensure system software is upgraded to assist in preventing security breaches. Software that is applied to systems is tested before implementation. A process exists to purchase software and track software licensing compliance after its purchase.

Incident Disclosure

No security incidents were detected or reported during the audit period that would affect PPLSI'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. The CSOCs at the third-party colocation facility are included in this description of the boundaries of the system and were included in the service auditor's examination of SOC 2 controls.

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 operating effectively, along with related controls at PPLSI.

ATTACHMENT B: PRINCIPAL SERVICE COMMITMENTS AND SYSTEM REQUIREMENTS

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.

PPLSI's available plans protect over 4 million people across the U.S. and Canadian Provinces. More than 40,000 companies provide LegalShield and IDShield benefits to their employees. 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.

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, state-of-the-art complex 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 located 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.

Principal Service Commitments and System Requirements

PPLSI's security, availability, and confidentiality commitments to customers are documented and communicated to customers in the Associate and Member agreements. PPLSI 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 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 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 regularly reviews 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 will notify the customer directly.