UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________________ to __________________

Commission File Number: 001-39367

Lemonade, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**32-0469673**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5 Crosby Street, 3rd Floor New York, New York	**10013**
(Address of principal executive offices)	**(Zip Code)**

(844) 733-8666
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.00001 par value per share	LMND	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 12, 2021, the registrant had 61,409,436 shares of common stock, $0.00001 par value per share, outstanding.

Table of Contents

		Page
	Cautionary Note Regarding Forward-Looking Statements	2
PART I.	**FINANCIAL INFORMATION**	
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets at March 31, 2021 (Unaudited) and December 31, 2020	5
	Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited) for the Three Months Ended March 31, 2021 and 2020	6
	Condensed Consolidated Statements of Changes in Convertible Preferred Stock and Stockholders' Equity (Deficit) (Unaudited) for the Three Months Ended March 31, 2021 and 2020	7
	Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months ended March 31, 2021 and 2020	8
	Notes to Condensed Consolidated Financial Statements (Unaudited)	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	40
Item 4.	Controls and Procedures	41
PART II.	**OTHER INFORMATION**	
Item 1.	Legal Proceedings	42
Item 1A.	Risk Factors	42
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	42
Item 3.	Defaults Upon Senior Securities	42
Item 4.	Mine Safety Disclosures	42
Item 5.	Other Information	42
Item 6.	Exhibits	43
	Signatures	44

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact contained in this Quarterly Report, including without limitation statements regarding our future results of operations and financial position, our ability to attract, retain and expand our customer base, our ability to operate under and maintain our business model, our ability to maintain and enhance our brand and reputation, our ability to effectively manage the growth of our business, the effects of seasonal trends on our results of operations, our ability to attain greater value from each customer, our ability to compete effectively in our industry, the future performance of the markets in which we operate, and our ability to maintain reinsurance contracts, and the plans and objectives of management for future operations and capital expenditures are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential”, or “continue” or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including:

- We have a history of losses and we may not achieve or maintain profitability in the future.
- Our success and ability to grow our business depend on retaining and expanding our customer base. If we fail to add new customers or retain current customers, our business, revenue, operating results and financial condition could be harmed.
- The "Lemonade" brand may not become as widely known as incumbents' brands or the brand may become tarnished.
- Denial of claims or our failure to accurately and timely pay claims could materially and adversely affect our business, financial condition, results of operations, and prospects.
- Our future revenue growth and prospects depend on attaining greater value from each user.
- The novelty of our business model makes its efficacy unpredictable and susceptible to unintended consequences.
- We could be forced to modify or eliminate our Giveback, which could undermine our business model and have a material adverse effect on our results of operations and financial condition.
- Our limited operating history makes it difficult to evaluate our current business performance, implementation of our business model, and our future prospects.
- We may not be able to manage our growth effectively.
- Intense competition in the segments of the insurance industry in which we operate could negatively affect our ability to attain or increase profitability.
- Reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business. Furthermore, reinsurance subjects us to counterparty risk and may not be adequate to protect us against losses, which could have a material effect on our results of operations and financial condition.
- Failure to maintain our risk-based capital at the required levels could adversely affect the ability of our insurance subsidiary to maintain regulatory authority to conduct our business.

- If we are unable to expand our product offerings, our prospects for future growth may be adversely affected.
- Our proprietary artificial intelligence algorithms may not operate properly or as we expect them to, which could cause us to write policies we should not write, price those policies inappropriately or overpay claims that are made by our customers. Moreover, our proprietary artificial intelligence algorithms may lead to unintentional bias and discrimination.
- Regulators may limit our ability to develop or implement our proprietary artificial intelligence algorithms and/or may eliminate or restrict the confidentiality of our proprietary technology, which could have a material adverse effect on our financial condition and results of operations.
- New legislation or legal requirements may affect how we communicate with our customers, which could have a material adverse effect on our business model, financial condition, and results of operations.
- We rely on artificial intelligence and our digital platform to collect data points that we evaluate in pricing and underwriting our insurance policies, managing claims and customer support, and improving business processes, and any legal or regulatory requirements that restrict our ability to collect this data could thus materially and adversely affect our business, financial condition, results of operations and prospects.
- We depend on search engines, social media platforms, digital app stores, content-based online advertising and other online sources to attract consumers to our website and our online app, which may be affected by third-party interference beyond our control and as we grow our customer acquisition costs will continue to rise.
- We may require additional capital to grow our business, which may not be available on terms acceptable to us or at all.
- Security incidents or real or perceived errors, failures or bugs in our systems, website or app could impair our operations, result in loss of personal customer information, damage our reputation and brand, and harm our business and operating results.
- We are periodically subject to examinations by our primary state insurance regulator, which could result in adverse examination findings and necessitate remedial actions. In addition, insurance regulators of other states in which we are licensed to operate may also conduct examinations or other targeted investigations, which may also result in adverse examination findings and necessitate remedial actions.
- We collect, process, store, share, disclose and use customer information and other data, and our actual or perceived failure to protect such information and data, respect customers' privacy or comply with data privacy and security laws and regulations could damage our reputation and brand and harm our business and operating results.
- We may be unable to prevent or address the misappropriation of our data.
- If we are unable to underwrite risks accurately and charge competitive yet profitable rates to our customers, our business, results of operations and financial condition will be adversely affected**.**
- Our product development cycles are complex and subject to regulatory approval, and we may incur significant expenses before we generate revenues, if any, from new products.
- Our expansion within the United States and any future international expansion strategy will subject us to additional costs and risks and our plans may not be successful.
- The insurance business, including the market for renters and homeowners insurance, is historically cyclical in nature, and we may experience periods with excess underwriting capacity and unfavorable premium rates, which could adversely affect our business.
- We are subject to extensive insurance industry regulations.
- State insurance regulators impose additional reporting requirements regarding enterprise risk on insurance holding company systems, with which we must comply as an insurance holding company.

- Severe weather events and other catastrophes, including the effects of climate change and global pandemics, are inherently unpredictable and may have a material adverse effect on our financial results and financial condition.
- We expect our results of operations to fluctuate on a quarterly and annual basis. In addition, our operating results and operating metrics are subject to seasonality and volatility, which could result in fluctuations in our quarterly revenues and operating results or in perceptions of our business prospects.
- We rely on data from our customers and third parties for pricing and underwriting our insurance policies, handling claims and maximizing automation, the unavailability or inaccuracy of which could limit the functionality of our products and disrupt our business.
- Our results of operations and financial condition may be adversely affected due to limitations in the analytical models used to assess and predict our exposure to catastrophe losses.
- Our actual incurred losses may be greater than our loss and loss adjustment expense reserves, which could have a material adverse effect on our financial condition and results of operations.
- Our insurance subsidiary is subject to minimum capital and surplus requirements, and our failure to meet these requirements could subject us to regulatory action.
- We are subject to assessments and other surcharges from state guaranty funds, and mandatory state insurance facilities, which may reduce our profitability.
- As a public benefit corporation, our focus on a specific public benefit purpose and producing a positive effect for society may negatively impact our financial performance.
- Our directors have a fiduciary duty to consider not only our stockholders' interests, but also our specific public benefit and the interests of other stakeholders affected by our actions. If a conflict between such interests arises, there is no guarantee such a conflict would be resolved in favor of our stockholders.
- A joint investment committee consisting of our Co-Founders and an executive of SoftBank will have sole voting and dispositive control over the shares owned by the entities affiliated with SoftBank Group Corp. This joint investment committee further concentrates voting power with our Co-Founders, which could limit your ability to influence the outcome of important transactions, including a change in control.
- The factors described under the sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" int his Quarterly Report on Form 10-Q.

You should read this Quarterly Report and the documents that we reference in this Quarterly Report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

LEMONADE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

($ in millions, except share and per share amounts)

	As of	
	March 31, 2021	December 31, 2020
	(Unaudited)	
Assets		
Investments		
Fixed maturities available-for-sale, at fair value (amortized cost: $6.4 million and $6.4 million as of March 31, 2021 and December 31, 2020)	$ 6.5	$ 6.6
Total investments	6.5	6.6
Cash, cash equivalents and restricted cash	1,174.7	571.4
Premium receivable, net of allowance for doubtful accounts of $0.5 million and $0.5 million as of March 31, 2021 and December 31, 2020	98.5	86.1
Reinsurance recoverable	65.8	49.0
Prepaid reinsurance premium	104.4	91.3
Deferred acquisition costs	4.1	3.5
Property and equipment, net	6.9	5.7
Intangible assets	0.6	0.6
Other assets	16.0	14.5
Total assets	$ 1,477.5	$ 828.7
Liabilities and Stockholders' Equity		
Unpaid loss and loss adjustment expense	$ 62.2	$ 46.3
Unearned premium	143.5	123.8
Trade payables	1.0	1.4
Funds held for reinsurance treaties	66.0	62.1
Deferred ceding commission	26.0	22.4
Ceded premium payable	15.3	13.0
Other liabilities and accrued expenses	19.8	18.7
Total liabilities	333.8	287.7
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, $0.00001 par value, 200,000,000 shares authorized; 61,370,103 and 56,774,294 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	1,512.3	859.8
Accumulated deficit	(369.6)	(320.6)
Accumulated other comprehensive income	1.0	1.8
Total stockholders' equity	1,143.7	541.0
Total liabilities and stockholders' equity	$ 1,477.5	$ 828.7

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

LEMONADE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

($ in millions, except share and per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2021	2020
Revenue		
Net earned premium	$ 13.8	$ 25.3
Ceding commission income	9.0	—
Net investment income	0.2	0.9
Commission and other income	0.5	—
Total revenue	23.5	26.2
Expense		
Loss and loss adjustment expense, net	16.5	18.2
Other insurance expense	4.8	3.3
Sales and marketing	29.1	19.2
Technology development	7.1	3.5
General and administrative	14.1	18.2
Total expense	71.6	62.4
Loss before income taxes	(48.1)	(36.2)
Income tax expense	0.9	0.3
Net loss	$ (49.0)	$ (36.5)
Other comprehensive income, net of tax		
Unrealized gain on investments	0.1	—
Foreign currency translation adjustment	0.7	—
Comprehensive loss	$ (48.2)	$ (36.5)
Per share data:		
Net loss per share attributable to common stockholders—basic and diluted	$ (0.81)	$ (3.16)
Weighted average common shares outstanding—basic and diluted	60,218,652	11,542,042

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

LEMONADE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

($ in millions, except share amounts)

(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2020	—	$ —	56,774,294	$ —	$ 859.8	$ (320.6)	$ 1.8	541.0
Issuance of common stock upon closing of Follow-on Offering, net of underwriting discounts and commissions and offering costs of $22.8 million	—	—	4,018,647	—	640.3	—	—	640.3
Exercise of stock options	—	—	577,162	—	6.1	—	—	6.1
Stock-based compensation	—	—	—	—	6.1	—	—	6.1
Net loss	—	—	—	—	—	(49.0)	—	(49.0)
Other comprehensive income	—	—	—	—	—	—	(0.8)	(0.8)
Balance as of March 31, 2021	—	$ —	61,370,103	$ —	$ 1,512.3	$ (369.6)	$ 1.0	$ 1,143.7

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2019	31,557,107	$ 480.2	11,271,228	$ —	$ 15.7	$ (198.3)	$ 0.1	$ (182.5)
Exercise of stock options	—	—	54,374	—	—	—	—	—
Stock-based compensation	—	—	—	—	2.2	—	—	2.2
Contribution to the Lemonade Foundation	—	—	500,000	—	12.2	—	—	12.2
Net loss	—	—	—	—	—	(36.5)	—	(36.5)
Other comprehensive income	—	—	—	—	—	—	—	—
Balance as of March 31, 2020	31,557,107	$ 480.2	11,825,602	$ —	$ 30.1	$ (234.8)	$ 0.1	$ (204.6)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

LEMONADE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)

(Unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities:		
Net loss	$ (49.0)	$ (36.5)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	0.9	0.3
Stock-based compensation	6.1	2.2
Amortization of discount on bonds	—	(0.2)
Provision for bad debts	0.9	0.4
Common shares contribution to the Lemonade Foundation	—	12.2
Changes in operating assets and liabilities:		
Premium receivable	(13.3)	(3.4)
Reinsurance recoverable	(16.8)	(2.1)
Prepaid reinsurance premium	(13.1)	0.9
Deferred acquisition costs	(0.6)	(0.2)
Other assets	(1.6)	(1.6)
Unpaid loss and loss adjustment expense	15.9	3.6
Unearned premium	19.7	7.6
Trade payables	(0.4)	0.2
Funds held for reinsurance treaties	3.9	—
Deferred ceding commissions	3.6	—
Ceded premium payable	2.3	(0.2)
Other liabilities and accrued expenses	1.2	(2.6)
Net cash used in operating activities	(40.3)	(19.4)
Cash flows from investing activities:		
Proceeds from short-term investments sold or matured	—	40.0
Proceeds from bonds sold or matured	—	1.4
Cost of short-term investments acquired	—	(14.9)
Cost of bonds acquired	—	(2.3)
Purchases of property and equipment	(2.0)	(0.7)
Net cash (used in) provided by investing activities	(2.0)	23.5
Cash flows from financing activities:		
Proceeds from Follow-on Offering, net of underwriting discounts and commissions and offering costs	640.3	—
Proceeds from stock exercises	6.1	—
Net cash provided by financing activities	646.4	—
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(0.8)	(0.2)
Net increase in cash, cash equivalents and restricted cash	603.3	3.9
Cash, cash equivalents and restricted cash at beginning of period	571.4	270.3
Cash, cash equivalents and restricted cash at end of period	$ 1,174.7	$ 274.2
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 0.6	$ 0.5

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

LEMONADE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business

Lemonade, Inc. is a public benefit corporation organized under Delaware law on June 17, 2015. It provides certain personnel, facilities and services to each of its subsidiaries (together with Lemonade, Inc., the “Company”), all of which are 100% owned, directly or indirectly, by Lemonade, Inc. For the list of the Company's US and EU subsidiaries, see Note 1 - Nature of the Business, of the audited consolidated financial statements and related notes thereto for the year ended December 31, 2020 as contained in the Company's Annual Report on Form 10-K for the year ending December 31, 2020 (the "Annual Report on Form 10-K") for more complete descriptions and discussions.

2. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated upon consolidation. All foreign currency amounts in the condensed consolidated statement of operations and comprehensive loss have been translated using an average rate for the reporting period. All foreign currency balances in the balance sheet have been translated using the spot rate at the end of the reporting period. All figures expressed, except share amounts, are in U.S. dollars in millions.

Risk and Uncertainties

The global pandemic resulting from the disease known as COVID-19, caused by a novel strain of coronavirus, SARS-CoV-2, has caused national and global economic and financial market disruptions and may adversely impact our business. Although the Company did not see a material impact on its results of operations for the three month periods ended March 31, 2021 due to the COVID-19 pandemic, the Company cannot predict the duration or magnitude of the pandemic or the full impact that it may have on the Company’s financial condition and results of operations, business operations, and workforce.

Unaudited interim financial information

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of its financial position and its results of operations, changes in stockholders’ equity (deficit) and cash flows. The condensed consolidated balance sheet at December 31, 2020, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. The accompanying unaudited condensed consolidated financial statements and related financial information should be read in conjunction with the audited consolidated financial statements and the related notes thereto for the fiscal year ended December 31, 2020 contained in the Company’s Annual Report on Form 10-K.

3. Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. On an ongoing basis, the Company’s management evaluates estimates, including those related to contingent assets and liabilities as of the date of the financial statements as well as the reported amounts of revenue and expense during the reporting period. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities at the dates of the condensed consolidated financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. Significant estimates reflected in the Company’s condensed consolidated financial statements include, but are not limited to, reserves for loss and loss adjustment expense, reinsurance recoverables on unpaid losses, the fair values of investments, valuation allowance on deferred tax assets and valuation on stock-based compensation.

4. Summary of Significant Accounting Policies

Cash, cash equivalents and restricted cash

The following represents the Company's cash, cash equivalents and restricted cash as of March 31, 2021 and December 31, 2020 ($ in millions):

	March 31, 2021	December 31, 2020
Cash and cash equivalents	$ 1,174.4	$ 570.8
Restricted cash	0.3	0.6
Total cash, cash equivalents and restricted cash	$ 1,174.7	$ 571.4

Cash consists primarily of cash on hand and bank deposits. Cash equivalents consist primarily of money market accounts with maturities of three months or less at the date of acquisition and are stated at cost, which approximates fair value. The Company's restricted cash relates to security deposits for office leases in Israel. The carrying value of restricted cash approximates fair value.

Deferred offering costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded as a reduction to the carrying value of stockholders' equity (deficit) as a reduction of additional paid-in capital generated as a result of such offering. In connection with the Initial Public Offering, the Company incurred total offering costs of $32.4 million, of which $28.9 million was recorded as a reduction to gross proceeds, and $3.5 million was recognized as a component of general and administrative expense in 2019. On January 14, 2021, the Company completed a Follow-on Offering of common stock, as defined and discussed in detail in Note 9, which generated net proceeds of $525.7 million, after deducting underwriting discounts and offering costs. On February 1, 2021, the underwriters exercised their option to purchase additional shares, and generated additional net proceeds to us of $114.6 million. Deferred offering costs from the Follow-on Offering amounted to $0.4 million.

Recent accounting pronouncements

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies.

The Company has elected to adopt new or revised accounting guidance within the same time period as private companies, unless, as indicated below, management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance.

ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes, simplifies the various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifies and amends the existing guidance to improve consistent application. The adoption of ASU 2019-12 beginning January 1, 2021 did not have a material impact on our condensed consolidated financial statement and related disclosures.

In February 2016, the FASB issued Leases (Topic 842) ("ASU 2016-02"), whereby a lessee will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. A modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements must be applied. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. ASU 2016-02 is effective for the Company's annual periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The adoption of the new standard is expected to result in the recognition of additional lease liabilities and right-of-use assets as of January 1, 2022. The Company is evaluating the potential impact of this pronouncement.

In June 2016, the FASB issued Financial Instruments — Credit Losses, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 will change the way entities recognize impairment of financial assets by requiring immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, including, among others, held-to-maturity debt securities, premium receivables, and reinsurance recoverable. The valuation allowance is a measurement of expected losses that is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This methodology is referred to as the current expected credit loss model. ASU 2016-13 requires a valuation allowance to be calculated on these financial assets, as well as available for sale securities, and that they be presented on the financial statements net of the valuation allowance. ASU 2016-13 is effective for the Company's annual periods beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2016-13 on its financial condition and results of operations, with a primary focus on its reinsurance recoverable.

Reclassification

Certain accounts in the prior period financial statements were reclassified to conform with the current period presentation.

5. Investments

Unrealized gains and losses

The following tables present cost or amortized cost and fair values of investments as of March 31, 2021 and December 31, 2020 ($ in millions):

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2021				
U.S. Government obligations	$ 6.4	$ 0.1	$ —	$ 6.5
Total	$ 6.4	$ 0.1	$ —	$ 6.5
December 31, 2020				
U.S. Government obligations	$ 6.4	$ 0.2	$ —	$ 6.6
Total	$ 6.4	$ 0.2	$ —	$ 6.6

There were no gross unrealized losses as of March 31, 2021. Gross unrealized losses were less than $0.1 million as of December 31, 2020. Gross unrealized gains and losses were recorded as a component of accumulated other comprehensive income.

Contractual maturities of bonds

The following table presents the cost or amortized cost and estimated fair value of bonds as of March 31, 2021 by contractual maturity ($ in millions). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2021	
	Cost or Amortized Cost	Fair Value
Due in one year or less	$ —	$ —
Due after one year through five years	6.4	6.5
Due after five years through ten years	—	—
Due after ten years	—	—
Total	$ 6.4	$ 6.5

Net investment income

An analysis of net investment income follows ($ in millions):

	Three Months Ended March 31,	
	2021	2020
Interest on cash and cash equivalents	$ 0.2	$ 0.7
Short-term investments	—	0.2
Total net investment income	$ 0.2	$ 0.9

Investment gains and losses

The Company did not have any pre-tax net realized capital gains or losses for the three months ended March 31, 2021 and 2020.

Aging of gross unrealized losses

The following table presents the gross unrealized losses and related fair values for the Company's available-for-sale bond securities, grouped by duration of time in a continuous unrealized loss position as of March 31, 2021 and December 31, 2020 ($ in millions):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2020						
U.S. Government obligations	$ —	$ —	$ —	$ —	$ —	$ —
Total	$ —	$ —	$ —	$ —	$ —	$ —

There were no gross unrealized losses for U.S. Government Bonds as of March 31, 2021. Gross unrealized losses for U.S. Government Bonds was less than $0.1 million for twelve months or more as of December 31, 2020.

The gross unrealized investment losses as of December 31, 2020, were deemed to be temporary, based on, among other things:

- the duration of time and the relative magnitude to which fair values of these investments have been below their amortized cost was not indicative of an other than temporary impairment loss;
- the absence of compelling evidence that would cause the Company to call into question the financial condition or near-term prospects of the issuer of the investment; and
- the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company may ultimately record a realized loss after having originally concluded that the decline in value was temporary. Risks and uncertainties are inherent in the methodology the Company uses to assess other-than-temporary declines in value. Risks and uncertainties could include, but are not limited to, incorrect assumptions about financial condition, liquidity or future prospects, inadequacy of any underlying collateral, and unfavorable changes in economic conditions or social trends, interest rates or credit ratings.

As of March 31, 2021 and December 31, 2020, none of the debt securities held were in an unrealized loss position.

6. Fair Value Measurements

The following tables present the Company's fair value hierarchy for financial assets and liabilities measured as of March 31, 2021 and December 31, 2020 ($ in millions):

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Government obligations	$ —	$ 6.5	$ —	$ 6.5
Total	$ —	$ 6.5	$ —	$ 6.5

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Government obligations	$ —	$ 6.6	$ —	$ 6.6
Total	$ —	$ 6.6	$ —	$ 6.6

There were no transfers between Level 1, Level 2, or Level 3 during the three months ended March 31, 2021 and December 31, 2020, respectively.

7. Unpaid Loss and Loss Adjustment Expense

The following table presents the activity in the liability for unpaid loss and loss adjustment expense ("LAE") for the three months ended March 31, 2021 and 2020 ($ in millions):

	Three Months Ended March 31,	
	2021	2020
Unpaid loss and LAE at beginning of period	$ 46.3	$ 28.2
Less: Reinsurance recoverable at beginning of period (1)	36.3	18.5
Net unpaid loss and LAE at beginning of period	10.0	9.7
Add: Incurred loss and LAE, net of reinsurance, related to:		
Current year	16.7	14.7
Prior years	(0.2)	3.5
Total incurred	16.5	18.2
Deduct: Paid loss and LAE, net of reinsurance, related to:		
Current year	8.3	8.7
Prior years	3.9	10.3
Total paid	12.2	19.0
Unpaid loss and LAE, net of reinsurance recoverable, at end of period	14.3	8.9
Reinsurance recoverable at end of period (1)	47.9	22.9
Unpaid loss and LAE, gross of reinsurance recoverable, at end of period	$ 62.2	$ 31.8

(1) Reinsurance recoverable in this table includes only ceded unpaid loss and LAE

Unpaid loss and LAE includes anticipated salvage and subrogation recoverable.

Considerable variability is inherent in the estimate of the reserve for losses and LAE. Although management believes the liability recorded for losses and LAE is adequate, the variability inherent in this estimate could result in changes to the ultimate liability, which may be material to stockholders' equity. Additional variability exists due to accident year allocations of ceded amounts in accordance with reinsurance agreements, which is not expected to result in any changes to the ultimate liability. The Company had unfavorable development on net loss and LAE reserves of $0.2 million for the three months ended March 31, 2021, and favorable development on net loss and LAE reserves of $3.5 million for the three months ended March 31, 2020. No additional premiums or returned premiums have been accrued as a result of prior year effects.

For the three months ended March 31, 2021, current accident year incurred loss and LAE included $6.5 million of net incurred loss and LAE from the severe winter storm that affected our customers in the states of Texas and Oklahoma. The net incurred loss and LAE from Winter Storm Uri as of March 31, 2021 represents the Company's best estimates based upon information currently available.

As of July 1, 2020, the Company entered into proportional reinsurance contracts which cover all of the Company's products and geographies, and transfer, or “cede,” 75% of the premium to reinsurers ("Proportional Reinsurance Contracts"). In exchange, these reinsurers pay a ceding commission of 25% for every dollar ceded, in addition to funding all of the corresponding claims, or 75% of all claims. The Company opted to manage the remaining 25% of the business with alternative forms of reinsurance through non-proportional reinsurance contracts ("Non-Proportional Reinsurance Contracts"). The majority of the Proportional Reinsurance Contracts run for a three-year term, expiring June 30, 2023, while the remainder has a one-year term, expiring June 30, 2021. The Company's Non-Proportional Reinsurance Contracts are likewise effective as of July 1, 2020, and have a one-year term.

8. Other Liabilities and Accrued Expenses

Other liabilities and accrued expenses as of March 31, 2021 and December 31, 2020 consist of the following ($ in millions):

	March 31, 2021	December 31, 2020
Accrued advertising costs	$ 8.3	$ 6.8
Employee compensation payable	3.1	3.7
Premium taxes payable	1.8	3.2
Advance premium	1.8	—
Accrued professional fees	1.7	2.6
Income tax payable	0.5	0.3
VAT payable	0.2	0.2
Other payables	2.4	1.9
Total other liabilities and accrued expenses	$ 19.8	$ 18.7

9. Stockholders' Equity

Common stock

The Company completed its IPO on July 2, 2020, in which the Company issued and sold 12,650,000 shares of its common stock at a public offering price of $29 per share, including 1,650,000 shares sold upon the exercise of the underwriter's option to purchase additional shares. After underwriter discounts and commissions and other offering costs, net proceeds from the IPO were approximately $335.6 million.

In connection with the IPO, the Company's outstanding convertible preferred stock converted into 31,557,107 shares of common stock. Upon conversion of the convertible preferred stock, the Company reclassified the carrying value of the preferred stock to common stock and additional paid in capital.

Upon closing of the IPO, the Company filed an amended and restated certificate of incorporation on July 7, 2020 with the Secretary of State of the State of Delaware to authorize the issuance of up to 200,000,000 shares of common stock, par value $0.00001 per share, and 10,000,000 shares of undesignated preferred stock, par value $0.00001 per share.

On January 14, 2021, the Company completed a Follow-on Offering of common stock (the "Follow-on Offering"), which resulted in the issuance and sale of 3,300,000 shares of common stock of the Company, and 1,524,314 shares of common stock by certain selling shareholders, and generated net proceeds to us of $525.7 million after deducting underwriting discounts and commissions and other offering costs. On February 1, 2021, the underwriters exercised their option to purchase additional shares, which resulted in the issuance and sale of an additional 718,647 shares of common stock of the Company, and generated additional net proceeds of $114.6 million to us after deducting underwriting discounts.

As of both March 31, 2021 and December 31, 2020, the Company was authorized to issue 200,000,000 shares of par value $0.00001 per share common stock. The voting, dividend and liquidation rights of the holders of the Company's common stock is subject to and qualified by the rights, powers and preferences of the holders of the preferred stock.

On February 18, 2020, the Company made a contribution of 500,000 newly issued shares of common stock to a related party, the Lemonade Foundation (see Note 13). In connection with the Follow-on Offering noted above, Lemonade Foundation sold 100,000 of the contributed shares of the Company.

Undesignated Preferred Stock

As of both March 31, 2021 and December 31, 2020, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue up to 10,000,000 shares of undesignated preferred stock, par value $0.00001 per share. As of both March 31, 2021 and December 31, 2020, there were no shares of undesignated preferred stock issued or outstanding.

10. Stock-based Compensation

Share option plans

2020 Incentive Compensation Plan

On July 2, 2020, the Company’s board of directors adopted and the Company’s stockholders approved the 2020 Incentive Compensation Plan (the “2020 Plan”), which became effective immediately prior to the effectiveness of the registration statement for the Company’s IPO on July 2, 2020. The 2020 Plan provides for the issuance of incentive stock options, non-qualified stock options, stock awards, stock units, stock appreciation rights and other stock-based awards.

The number of shares initially reserved for issuance under the 2020 Plan is 5,503,678 shares, inclusive of available shares previously reserved for issuance under the 2015 Incentive Share Option Plan, as amended and restated on September 4, 2019 (the “2015 Plan”). In addition, the number of shares reserved for issuance under the 2020 Plan is subject to increase for awards previously issued under the 2015 Plan which are forfeited or lapse unexercised. Annually, on the first day of each calendar year beginning on January 1, 2021 and ending on and including January 1, 2030, the reserve will be increased by an amount equal to the lesser of (A) 5% of the shares outstanding (on an as-converted basis) on the last day of the immediately preceding fiscal year and (B) such smaller number of shares as determined by the Company’s board of directors, provided that no more than 3,650,000 shares may be issued upon the exercise of incentive stock options. On January 1, 2021, the 2020 Plan was increased by 2,838,412 shares, equal to 5% of the aggregate number of outstanding common stock as of December 31, 2020. As of March 31, 2021, there were 7,250,596 shares of common stock available for future grants.

2020 Employee Stock Purchase Plan

On July 2, 2020, the Company's board of directors adopted and the Company's stockholders approved the 2020 Employee Stock Purchase Plan (the "2020 ESPP"), which became effective immediately prior to the effectiveness of the registration statement for the Company's IPO on July 2, 2020. The total shares of common stock initially reserved for issuance under the 2020 ESPP is limited to 1,000,000 shares. In addition, the number of shares available for issuance under the 2020 ESPP will be annually increased on January 1 of each calendar year beginning in 2021 and ending in and including 2030, by an amount equal to the lesser of (A) 1,000,000 shares, (B) 1% of the shares outstanding on the final day of the immediately preceding calendar year and (C) such smaller number of shares as is determined by the board of directors. The board of directors or a committee of the board of directors will administer and will have authority to interpret the terms of the 2020 ESPP and determine eligibility of participants. On January 1, 2021, the 2020 ESPP was increased by 567,682 shares, equal to 1% of the aggregate number of outstanding common stock as of December 31, 2020. As of March 31, 2021, there were no shares of common stock issued under the 2020 ESPP.

2015 Incentive Share Option Plan

In July 2015, the Company adopted the 2015 Plan. The 2015 Plan has been amended and restated from time to time to increase the number of shares reserved for grant and to enable the grant of options to employees of the Company's subsidiaries. Under the 2015 plan, options to purchase common stock of the Company may be granted to employees, officers, directors and consultants of the Company. Each option granted can be exercised for one share of common stock of the Company. Options granted to employees generally vest over a period of no more than four years. The options expire ten years from the date of grant.

Pursuant to the 2015 Plan, the Company had reserved 7,312,590 shares of common stock for issuance. Effective immediately upon the approval of the 2020 plan, the remaining shares of common stock available for future grant under the 2015 Plan were transferred to the 2020 Plan. As of March 31, 2021, there were no shares of common stock available for future grant under the 2015 Plan. Subsequent to the approval of the 2020 Plan, no additional grants will be made under the 2015 Plan and any outstanding awards under the 2015 Plan will continue with their original terms.

Options granted to employees and non-employees

The fair value of each option granted for the three months ended March 31, 2021 and 2020 is estimated on the date of grant using the Black-Scholes model based on the following assumptions:

	Three Months Ended March 31,	
	2021	2020
Weighted average expected term (years)	6.1	6.1
Risk-free interest rate	0.7%	1.3%
Volatility	50%	40%
Expected dividend yield	0%	0%

Expected volatility is based on companies at a comparable stage, as well as companies in the same or a similar industry. The expected term of options granted is based on the simplified method, which uses the midpoint between the vesting date and the contractual term in accordance with ASC 718, "Compensation — Stock Compensation". The risk-free interest rate is based on observed interest rates appropriate for the term of the Company's stock options. The dividend yield assumption is based on the Company's historical and expected future dividend payouts and may be subject to substantial change in the future.

The following tables summarize activity of stock options and restricted stock units ("RSUs") ($ in millions, except for number of options and weighted average amounts):

Stock options

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2020	4,944,711	$ 20.50	8.30	$ 506.58
Granted	627,550	132.01		
Exercised	(577,162)	10.64		
Cancelled	(153,483)	32.36		
Outstanding as of March 31, 2021	4,841,616	$ 35.29	8.32	$ 303.92
Options exercisable as of March 31, 2021	1,557,787	$ 11.29	7.34	$ 127.49
Options unvested as of March 31, 2021	3,283,829	$ 46.68	8.78	$ 176.43

Restricted Stock Units

	Number of shares	Grant Date Fair Value
Outstanding as of December 31, 2020	—	—
Granted	50,250	$ 159.02
Vested	—	—
Cancelled	—	—
Outstanding as of March 31, 2021	50,250	$ 159.02

Total stock-based compensation expense resulting from stock options and RSUs granted included in the consolidated statements of operations and comprehensive loss for the three months ended March 31, 2021 and 2020 were $6.1 million and $2.2 million, respectively.

The total unrecognized expense on options and RSUs granted to employees and non-employees outstanding at March 31, 2021 was $68.7 million for the stock options and $7.4 million for the RSUs, with a remaining weighted-average vesting period of 1.7 years for the stock options and 1.5 years for the RSUs.

Stock-based compensation expense

Stock-based compensation expense was classified in the condensed consolidated statements of operations as follows ($ in millions):

	Three Months Ended March 31,	
	2021	2020
Loss and loss adjustment expense, net	$ 0.2	$ —
Other insurance expense	0.2	0.2
Sales and marketing	1.1	0.7
Technology development	0.7	0.6
General and administrative	3.9	0.7
Total stock-based compensation expense	$ 6.1	$ 2.2

Stock-based compensation expense classified by award type as included in the condensed consolidated statements of operations follows ($ in millions):

	Three Months Ended March 31,	
	2021	2020
Stock options	$ 5.5	$ 2.2
RSUs	0.6	—
Total stock-based compensation expense	$ 6.1	$ 2.2

In 2016 and 2017, the Company entered into stock purchase agreements with two executive employees where in lieu of cash payment for the stock, promissory notes secured by the underlying stock purchased, were issued totaling $1.5 million and bearing a weighted average interest of 1.9% per annum, payable to the Company. On June 8, 2020, the Company received full settlement of the outstanding promissory notes, including principal and accrued and unpaid interest.

11. Income Taxes

Effective tax rates

The consolidated effective tax rate for the three months ended March 31, 2021 and 2020, was (1.9)% and (0.8)%, respectively. The change in effective tax rate over the two periods was predominantly reflective of the change in profit before tax of its wholly-owned subsidiaries in Israel and the Netherlands. The Company believes that as of March 31, 2021, it had no material uncertain tax positions. Interest and penalties related to unrecognized tax expenses (benefits) are recognized in income tax expense, when applicable.

There were no material liabilities for interest and penalties accrued as of March 31, 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law in the U.S. to provide certain relief as a result of the COVID-19 pandemic. In addition, governments around the world have enacted or implemented various forms of tax relief in measures in response to the economic conditions due to the COVID-19 pandemic. As of March 31, 2021, the Company has determined that neither the CARES Act nor changes to income tax laws or regulations in other jurisdictions had a significant impact on the Company's effective tax rate.

12. Net Loss per Share

Net loss per share

Basic and diluted net loss per share attributable to common stockholders was calculated as follows:

	Three Months Ended March 31,	
	2021	2020
Numerator:		
Net loss attributable to common stockholders ($ in millions)	$ (49.0)	$ (36.5)
Denominator:		
Weighted average common shares outstanding — basic and diluted	60,218,652	11,542,042
Net loss per share attributable to common stockholders — basic and diluted	$ (0.81)	$ (3.16)

The Company's potentially dilutive securities, which include stock options, unvested RSUs and preferred stock, have been excluded from the computation of diluted net loss per share as the effect would be anti-dilutive. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded unvested RSUs and outstanding options to purchase common stock of 4,891,866 and 4,349,270 for the three months ended March 31, 2021 and 2020, respectively, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect.

In addition to the potentially dilutive securities noted above, in 2016 and 2017 the Company entered into stock purchase agreements with executive employees where in lieu of cash payment for the stock, promissory notes were issued (see Note 10). The Company determined the purchase of the stock to be non-substantive, and as such, the shares subject to the promissory notes will not be deemed issued until such time as the promissory notes have been repaid. Accordingly, the Company excluded these shares in the calculation of basic and diluted net loss per share for the three months ended March 31, 2020.

On June 8, 2020, all outstanding balances under the promissory notes were paid back to the Company and therefore, these shares were included in the calculation of basic and diluted net loss per share for the three months ended March 31, 2021.

13. Related Party Transactions

The Company uses the services of a travel agency owned by a relative of one of the Company's key stockholders. The Company did not incur travel related expenses during the three months ended March 31, 2021, and less than $0.1 million of travel related expenses was incurred during the three months ended March 31, 2020.

The Company has historically leased office spaces in the United States and The Netherlands from an affiliate. There was no rental expense incurred for the three months ended March 31, 2021 as the rental agreement expired in 2020. Rental expense amounted to less than $0.1 million for the three months ended March 31, 2020. There were no outstanding amounts due to or from related parties as of March 31, 2021 and December 31, 2020.

The Company's Chief Executive Officer and the Company's President and Chief Operating Officer, both of whom are also members of the Company's board of directors, are the two sole members of the board of directors of the Lemonade Foundation. The Company contributed 500,000 shares of common stock with a fair market value of $24.36 per share (see Note 9). The Company recorded $12.2 million of non-cash expense within general and administrative expense in connection with this contribution for the year ended December 31, 2020. In connection with the Follow-on Offering as discussed in Note 9, Lemonade Foundation sold 100,000 shares of the contributed shares of the Company. As of March 31, 2021, there were no outstanding amounts due to or from the Lemonade Foundation.

14. Commitments and Contingent Liabilities

Litigation

The Company is occasionally a party to routine claims or litigation incidental to its business. The Company does not believe that it is a party to any pending legal proceeding that is likely to have a material adverse effect on its business, financial condition or results of operations.

Lease commitments

The Company and its subsidiaries lease their facilities under various operating lease agreements. The Company's headquarters in New York is under a lease that expires in November 2022. The Company's Israel based operations occupy offices with lease expiration dates that extend through July 2026. On March 18, 2019, the Company entered into a lease agreement to lease office space in Scottsdale, Arizona that expires in November 2024.

Aggregate minimum rental commitments under non-cancelable leases at March 31, 2021 are as follows ($ in millions):

2021 (remaining nine months)	$	3.7
2022		4.9
2023		2.8
2024		2.7
2025 and thereafter		4.0
	$	18.1

Expenses for lease of facilities for the three months ended March 31, 2021 were $1.0 million, and for the three months ended March 31, 2020 were $0.9 million, and are included in general and administrative expenses in the consolidated statements of operations and comprehensive loss.

Charges and guarantees

The Company provided guarantees with respect to office leases in an aggregate amount of $0.3 million as of March 31, 2021 and $0.6 million as of December 31, 2020.

15. Geographical Breakdown of Gross Written Premium

The Company has a single reportable segment and offers insurance coverage under the homeowners multi-peril and inland marine lines of business. Gross written premium by jurisdiction are as follows ($ in millions):

	Three Months Ended March 31,			
	2021		2020	
Jurisdiction	Amount	% of GWP	Amount	% of GWP
California	$ 19.2	25.3 %	$ 9.4	24.7 %
Texas	15.0	19.8 %	8.8	23.1 %
New York	10.0	13.2 %	4.9	12.9 %
Georgia	3.7	4.9 %	2.1	5.5 %
New Jersey	3.1	4.1 %	1.5	3.9 %
Illinois	3.0	4.0 %	1.6	4.2 %
Pennsylvania	1.8	2.4 %	0.7	1.8 %
Michigan	1.6	2.1 %	1.0	2.6 %
Ohio	1.6	2.1 %	1.0	2.6 %
Maryland	1.6	2.1 %	0.8	2.1 %
All other	15.2	20.0 %	6.3	16.6 %
	$ 75.8	100.0 %	$ 38.1	100.0 %

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes and other information included elsewhere in this Quarterly Report on Form 10-Q and Annual Report on Form 10-K for the year ending December 31, 2020 (the "Annual Report on Form 10-K"). The discussion and analysis below includes forward-looking statements that are subject to risks, uncertainties and other factors described in the "Risk Factors" section of our Annual Report that could cause actual results to differ materially from such forward-looking statements. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.

In this Quarterly Report on Form 10-Q, unless we indicate otherwise or the context requires, "Lemonade, Inc.," "Lemonade," "the company," "our company," "the registrant," "we," "our," "ours" and "us" refer to Lemonade, Inc. and its consolidated subsidiaries, including Lemonade Insurance Company and Lemonade Insurance Agency, LLC.

Our Business

Lemonade is rebuilding insurance from the ground up on a digital substrate and an innovative business model. By leveraging technology, data, artificial intelligence, contemporary design, and behavioral economics, we believe we are making insurance more delightful, more affordable, more precise, and more socially impactful. To that end, we have built a vertically-integrated company with wholly-owned insurance carriers in the United States and Europe, and the full technology stack to power them.

A two minute chat with our bot, AI Maya, is all it takes to get covered with renters or homeowners insurance, pet or life insurance, and we expect to offer a similar experience for other insurance products over time. Claims are filed by chatting to another bot, AI Jim, who pays claims in as little as three seconds. This breezy experience belies the extraordinary technology that enables it: a state-of-the-art platform that spans marketing to underwriting, customer care to claims processing, finance to regulation. Our architecture melds artificial intelligence with the human kind, and learns from the prodigious data it generates to become ever better at delighting customers and quantifying risk.

In addition to digitizing insurance end-to-end, we also reimagined the underlying business model to minimize volatility while maximizing trust and social impact. In a departure from the traditional insurance model, where profits can literally depend on the weather, we typically retain a fixed fee, currently 25% of premiums, and our gross margins are expected to change little in good years and in bad. At Lemonade, excess claims are generally offloaded to reinsurers, while excess premiums are usually donated to nonprofits selected by our customers as part of our annual "Giveback". These two ballasts, reinsurance and Giveback, reduce volatility, while creating an aligned, trustful, and values-rich relationship with our customers.

Lemonade's cocktail of delightful experience, aligned values, and great prices enjoys broad appeal, while over indexing on younger and first time buyers of insurance. As these customers progress through predictable lifecycle events, their insurance needs normally grow to encompass more and higher-value products: renters regularly acquire more property and frequently upgrade to successively larger homes; home buying often coincides with a growing household and a corresponding need for life or pet insurance, and so forth. These progressions can trigger orders-of-magnitude increases in insurance premiums.

The result is a business with highly-recurring and naturally-growing revenue streams; a level of automation that we believe delights consumers while collapsing costs; and an architecture that generates and employs data to price and underwrite risk with ever-greater precision to the benefit of our company, our customers and their chosen nonprofits.

This powerful trifecta, delightful experience, aligned values, and great prices, has delivered rapid growth alongside steadily improving results. During the three months ended March 31, 2021, our gross written premium, or GWP, of $75.8 million nearly doubled from $38.1 million of GWP we wrote during the three months ended March 31, 2020. Despite our shift to Proportional Reinsurance Contracts in July 2020 where we cede 75% of our premiums to our reinsurers, our total revenue was $23.5 million for the three months ended March 31, 2021 in comparison to $26.2 million for the three months ended March 31, 2020. Net loss was $49.0 million for the three months ended March 31, 2021 as compared to $36.5 million for the three months ended March 31, 2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Our Results of Operations — Revenue — Gross Written Premium."

For the three months ended March 31, 2021, our gross loss ratio of 121% was significantly impacted by the severe winter storm that affected our customers in the states of Texas and Oklahoma during the period ("Winter Storm Uri"). The impact of this winter storm, along with other catastrophe losses, on our gross loss ratio for the three months ended March 31, 2021 was 50%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Operating and Financial Metrics and Results of Operations."

Initial Public Offering and Follow-on Offering

On July 7, 2020, we completed our initial public offering of common stock, or IPO, which resulted in the issuance and sale of 12,650,000 shares of common stock at the IPO price of $29.00, including the exercise of the underwriters' option to purchase additional shares, and generated net proceeds of $335.6 million after deducting underwriting discounts and other offering costs.

On January 14, 2021, we completed a Follow-on Offering of common stock (the "Follow-on Offering"), which resulted in the issuance and sale of 3,300,000 shares of common stock by us and 1,524,314 shares of common stock by certain selling shareholders, and generated net proceeds to us of $525.7 million after deducting underwriting discounts and other offering costs. On February 1, 2021, the underwriters exercised their option to purchase additional shares, which resulted in the issuance and sale of an additional 718,647 shares of common stock by us, and generated additional net proceeds of $114.6 million to us after deducting underwriting discounts.

Factors and Trends Affecting our Operating Results

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including the following:

Seasonality

Seasonal patterns can impact both our rate of customer acquisition and the incurrence of claims and losses.

Based on historical experience, existing and potential customers move more frequently in the third quarter, compared to the rest of the calendar year. As a result, we may see greater demand for new or expanded insurance coverage, and increased online engagement resulting in proportionately more growth during the third quarter. We expect that as we grow our customers, expand geographically and launch new products, the impact of seasonal variability on our rate of growth may decrease.

Additionally, seasonal weather patterns impact the level and amount of claims we receive. These patterns include hurricanes, wildfires, and coastal storms in the fall, cold weather patterns and changing home heating needs in the winter, and tornados and hailstorms in the spring and summer. The mix of geographic exposure and products within our customer base impacts our exposure to these weather patterns.

COVID-19 Impact

In December 2019, COVID-19 was reported to have surfaced in Wuhan, China and was subsequently recognized as a pandemic by the World Health Organization. The global pandemic has severely impacted businesses worldwide, including many in the insurance sector. Insurers of travel, events or business interruption may be directly and adversely affected by claims from COVID-19 or the lock-down it engendered. Other insurers, in lines of business that are not directly impacted by COVID-19, may nevertheless be dependent on office-based brokers, in-person inspections, or teams that are poorly equipped to work from home — all of which can translate into value erosion. Finally, the broader financial crisis may hurt insurers in other ways, too. With interest rates at all-time lows, many insurers may see their return on capital drop; while those selling premium or discretionary products may see an increase in churn and a decrease in demand.

Against this backdrop it is noteworthy that our business has continued to grow, and the key drivers of our business have continued their positive progress, despite the pandemic.

- Lemonade writes insurance in lines that have so far been largely unaffected by COVID-19, or indeed, historically, by recession.

- Our systems are entirely cloud based and accessible to our teams from any browser anywhere in the world. customers' phone calls are routed to our team's laptops, and answered and logged from wherever they happen to be. Internal communication has been via Slack and Zoom since our founding. The upshot is that while we all enjoy each other's company, our teams are able to access systems, support customers and collaborate with each other from anywhere, much as they did before the pandemic.

- Our customers' experience with Lemonade is likewise largely unaffected by the turmoil, as AI Maya and AI Jim chat with customers, wherever they may be, without triggering concerns about social distancing.

This resilience is reflected in our results. As of March 31, 2021, our in force premium, or IFP, was about 89% higher than it was on March 31, 2020. For information regarding how we calculate IFP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating and Financial Metrics — In Force Premium." Likewise, the growth in our IFP during the three months ended March 31, 2021 was 99% greater than it was during the corresponding period in 2020. Each marketing dollar spent during the three months ended March 31, 2021 generated 37% more IFP than the equivalent spend did during the three months ended March 31, 2020.

While the global economy began to reopen in the first quarter of 2021, there remains to be an uncertainty about the duration and ultimate impact of COVID-19, including the length of time needed to vaccinate a significant segment of the global population and effectiveness of the vaccines with respect to the new variants of the virus. Therefore, the financial impact of COVID-19 on our business could change and cannot be accurately predicted at this time.

See "Risk Factors — Risks Relating to our Industry — Severe weather events and other catastrophes, including the effects of climate change and global pandemics, are inherently unpredictable and may have a material adverse effect on our financial results and financial condition." in the Annual Report on Form 10-K.

Reinsurance

We obtain reinsurance to help manage our exposure to property and casualty insurance risks. Although our reinsurance counterparties are liable to us according to the terms of the reinsurance policies, we remain primarily liable to our policyholders as the direct insurers on all risks reinsured, see "Risk Factors - Risks Relating to Our Business" and "Risks relating to our Industry" in our Annual Report on Form 10-K.

As a result, reinsurance does not eliminate the obligation of our insurance subsidiary to pay all claims, and we are subject to the risk that one or more of our reinsurers will be unable or unwilling to honor its obligations, that the reinsurers will not pay in a timely fashion, or that our losses are so large that they exceed the limits inherent in our reinsurance contracts, each of which could have a material effect on our results of operations and financial condition. Furthermore, reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business.

We have proportional reinsurance covering 75% of our business. Under the proportional reinsurance contracts, which cover all of our products and geographies, we transfer, or "cede," 75% of our premium to our reinsurers ("Proportional Reinsurance Contracts"). In exchange, these reinsurers pay us a ceding commission of 25% for every dollar ceded, in addition to funding all of the corresponding claims, or 75% of all our claims. This arrangement mirrors our fixed fee, and hence shields our gross profit margin, from the volatility of claims, while boosting our capital efficiency dramatically. We have opted to manage the remaining 25% of our business with alternative forms of reinsurance. We have achieved this through the non-proportional reinsurance contracts ("Non-Proportional Reinsurance Contracts"). The majority of the Proportional Reinsurance Contracts run for a three-year term, expiring June 30, 2023, while the remainder has a one-year term, expiring June 30, 2021. Our Non-Proportional Reinsurance Contracts are likewise effective as of July 1, 2020, and have a one-year term. If we are unable to renegotiate, at the same or more favorable terms, the Proportional Reinsurance Contracts or the Non-Proportional Reinsurance Contracts when each expires, such changes could have an adverse impact on our business model.

Components of our Results of Operations

Revenue

Gross Written Premium

Gross written premium is the amount received, or to be received, for insurance policies written by us during a specific period of time without reduction for premiums ceded to reinsurance. The volume of our gross written premium in any given period is generally influenced by new business submissions, binding of new business submissions into policies, renewals of existing policies, and average size and premium rate of bound policies.

Ceded Written Premium

Ceded written premium is the amount of gross written premium ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential losses as well as to provide additional capacity for growth. Ceded written premium is earned over the reinsurance contract period in proportion to the period of risk covered. The volume of our ceded written premium is impacted by the level of our gross written premium and any decision we make to increase or decrease in reinsurance limits, retention levels and co-participation. Our ceded written premium can also be impacted significantly in certain periods due to changes in reinsurance agreements. In periods where we start or stop ceding a large volume of our premium, ceded written premium may increase or decrease significantly compared to prior periods and these fluctuations may not be indicative of future trends.

Gross Earned Premium

Gross earned premium represents the earned portion of our gross written premium. Our insurance policies generally have a term of one year and premium is earned pro rata over the term of the policy.

Ceded Earned Premium

Ceded earned premium is the amount of gross earned premium ceded to reinsurers.

Net Earned Premium

Net earned premium represents the earned portion of our gross written premium, less the earned portion that is ceded to third-party reinsurers under our reinsurance agreements. Premium is earned pro rata over the term of the policy, which is generally one year.

Ceding Commission Income

Ceding commission income is commission we receive based on the premium ceded to third-party reinsurers to reimburse us for acquisition and underwriting expenses. We earn commissions on reinsurance premium ceded in a manner consistent with the recognition of the earned premium on the underlying insurance policies, on a pro-rata basis over the terms of the policies reinsured. The portion of ceding commission income which represents reimbursement of successful acquisition costs related to the underlying policies is recorded as an offset to other insurance expense.

Net Investment Income

Net investment income represents interest earned from fixed maturity securities, short term securities and other investments, and the gains or losses from the sale of investments. Our cash and invested assets are primarily comprised of fixed-maturity securities, and may also include cash and cash equivalents, equity securities and short-term investments. The principal factors that influence net investment income are the size of our investment portfolio and the yield on that portfolio. As measured by amortized cost (which excludes changes in fair value, such as changes in interest rates), the size of our investment portfolio is mainly a function of our invested equity capital along with premium we receive from our customers less payments on customer claims. Over time, we expect that net investment income will represent a more meaningful component of our results of operations.

Commission and Other Income

Commission income consists of commissions earned for policies placed with third-party insurance companies where we have no exposure to the insured risk. Such commission is recognized on the effective date of the associated policy. Other income consists of fees collected from policyholders relating to installment premiums. These fees are recognized at the time each policy installment is billed.

Expense

Loss and Loss Adjustment Expense, Net

Loss and loss adjustment expense ("LAE"), net represent the costs incurred for losses net of amounts ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential losses as well as to provide additional capacity for growth. These expenses are a function of the size and term of the insurance policies we write and the loss experience associated with the underlying risks. Loss and LAE are based on an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Loss and LAE may be paid out over a period of years. Certain policies we write are subject to catastrophe losses. Catastrophe losses are losses resulting from events involving claims and policyholders, including earthquakes, hurricanes, floods, storms, terrorist acts or other aggregating events that are designated by internationally recognized organizations, such as Property Claims Services, that track and report on insured losses resulting from catastrophic events.

Other Insurance Expense

Other insurance expense consists primarily of amortization of commissions costs and premium taxes incurred on the successful acquisition of business written on a direct basis, and credit card processing fees not charged to our customers. Other insurance expense also includes employee compensation, including stock-based compensation and benefits, of our underwriting teams as well as allocated occupancy costs and related overhead based on headcount. Other insurance expense is offset by the portion of ceding commission income which represents reimbursement of successful acquisition costs related to the underlying policies.

Sales and Marketing

Sales and marketing includes third-party marketing, advertising, branding, public relations and sales expenses. Sales and marketing also includes associated employee compensation, including stock-based compensation and benefits, as well as allocated occupancy costs and related overhead based on headcount. Sales and marketing costs are expensed as incurred.

We plan to continue to invest in sales and marketing to attract and acquire new customers and increase our brand awareness. We expect that sales and marketing costs will increase in absolute dollars in future periods and vary from period-to-period as a percentage of revenue in the near-term. We expect that, in the long-term, our sales and marketing costs will decrease as a percentage of revenue as we continue to drive customer acquisition efficiencies and as the proportion of renewals to our total business increases.

Technology Development

Technology development consists of employee compensation, including stock-based compensation and benefits, and expenses related to vendors engaged in product management, design, development and testing of our websites and products. Technology development also includes allocated occupancy costs and related overhead based on headcount. We expense technology development costs as incurred, except for costs that are capitalized related to internal-use software development projects and subsequently depreciated over the expected useful life of the developed software.

We expect product technology development costs, a portion of which will be capitalized, to continue to grow in the foreseeable future as we identify opportunities to invest in the development of new products and internal tools and enhancement of our existing products and technologies that we believe will drive the long-term profitability of the business.

General and Administrative

General and administrative includes employee compensation, including stock-based compensation and benefits for executive, finance, accounting, legal, business operations, and other administrative personnel. In addition, general and administrative includes outside professional services, non-income based taxes, insurance, charitable donations, and allocated occupancy costs and related overhead based on headcount. Depreciation and amortization expense is recorded as a component of general and administrative.

We expect to incur incremental general and administrative costs to support our global operational growth and enhancements to support our reporting and planning functions.

We have incurred and expect to continue to incur significant additional general and administrative expense as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC and the listing standards of the NYSE, additional corporate, director and officer insurance expenses, greater investor relations expenses and increased legal, audit and consulting fees. We also expect to increase the size of our general and administrative function to support our increased compliance requirements and the growth of our business. As a result, we expect that our general and administrative expense will increase in absolute dollars in future periods and vary from period-to-period as a percentage of revenue.

Income Tax Expense

Our provision for income taxes consists primarily of foreign income taxes related to income generated by our subsidiaries organized under the laws of the Netherlands and Israel. As we expand the scale of our international business activities, any changes in the U.S. and foreign taxation of such activities may increase our overall provision for income taxes in the future.

We have a valuation allowance for our U.S. deferred tax assets, including federal and state net operating losses. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized through expected future taxable income in the United States.

Key Operating and Financial Metrics

We regularly review a number of metrics, including the following key operating and financial metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions. We believe these non-GAAP and operational measures are useful in evaluating our performance, in addition to our financial results prepared in accordance with GAAP. See “—Non-GAAP Financial Measures” for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.

The following table sets forth these metrics as of and for the periods presented:

	Three Months Ended March 31,	
	2021	2020
	($ in millions, except Premium per customer)	
Customers (end of period)	1,096,618	729,325
In force premium (end of period)	$ 251.7	$ 133.3
Premium per customer (end of period)	$ 229	$ 183
Annual dollar retention	81 %	70 %
Total revenue	$ 23.5	$ 26.2
Gross earned premium	$ 56.2	$ 30.5
Gross profit	$ 1.9	$ 4.6
Adjusted gross profit	$ 5.0	$ 5.4
Net loss	$ (49.0)	$ (36.5)
Adjusted EBITDA	$ (41.3)	$ (22.4)
Gross profit margin	8 %	18 %
Adjusted gross profit margin	21 %	21 %
Ratio of Adjusted Gross Profit to Gross Earned Premium	9 %	18 %
Gross loss ratio	121 %	72 %
Net loss ratio	120 %	72 %

Customers

We define customers as the number of current policyholders underwritten by us or placed by us with third-party insurance partners (who pay us recurring commissions) as of the period end date. A customer that has more than one policy counts as a single customer for the purposes of this metric. We view customers as an important metric to assess our financial performance because customer growth drives our revenue, expands brand awareness, deepens our market penetration, creates additional upsell and cross-sell opportunities and generates additional data to continue to improve the functioning of our platform.

In Force Premium

We define in force premium ("IFP"), as the aggregate annualized premium for customers as of the period end date. At each period end date, we calculate IFP as the sum of:

i) In force written premium — the annualized premium of in force policies underwritten by us; and

ii) In force placed premium — the annualized premium of in force policies placed with third party insurance companies for which we earn a recurring commission payment. In force placed premium currently reflects less than 1% of IFP.

The annualized value of premiums is a legal and contractual determination made by assessing the contractual terms with our customers. The annualized value of contracts is not determined by reference to historical revenues, deferred revenues or any other GAAP financial measure over any period. IFP is not a forecast of future revenues nor is it a reliable indicator of revenue expected to be earned in any given period. We believe that our calculation of IFP is useful to analysts and investors because it captures the impact of growth in customers and premium per customer at the end of each reported period, without adjusting for known or projected policy updates, cancellations, rescissions and non-renewals. We use IFP because we believe it gives our management useful insight into the total reach of our platform by showing all in force policies underwritten and placed by us. Other companies, including companies in our industry, may calculate IFP differently or not at all, which reduces the usefulness of IFP as a tool for comparison.

Premium per customer

We define premium per customer as the average annualized premium customers pay for products underwritten by us or placed by us with third-party insurance partners. We calculate premium per customer by dividing IFP by customers. We view premium per customer as an important metric to assess our financial performance because premium per customer reflects the average amount of money our customers spend on our products, which helps drive strategic initiatives.

Annual Dollar Retention

We define Annual Dollar Retention ("ADR"), as the percentage of IFP retained over a twelve month period, inclusive of changes in policy value, changes in number of policies, changes in policy type, and churn. To calculate ADR we first aggregate the IFP from all active customers at the beginning of the period and then aggregate the IFP from those same customers at the end of the period. ADR is then equal to the ratio of ending IFP to beginning IFP. We believe that our calculation of ADR is useful to analysts and investors because it captures our ability to retain customers and sell additional products and coverage to them over time. We view ADR as an important metric to measure our ability to provide a delightful end-to-end customer experience, satisfy our customers' evolving insurance needs and maintain our customers' trust in our products. Our customers become more valuable to us every year they continue to subscribe to our products. Other companies, including companies in our industry, may calculate ADR differently or not at all, which reduces the usefulness of ADR as a tool for comparison.

Gross Earned Premium

Gross earned premium is the earned portion of our gross written premium.

We use this operating metric as we believe it gives our management and other users of our financial information useful insight into the gross economic benefit generated by our business operations and allows us to evaluate our underwriting performance without regard to changes in our underlying reinsurance structure. See "— Components of Our Results of Operations — Revenue — Gross Earned Premium."

Unlike net earned premium, gross earned premium excludes the impact of premiums ceded to reinsurers, and therefore should not be used as a substitute for net earned premium, total revenue, or any other measure presented in accordance with GAAP.

Gross Profit

Gross profit is calculated in accordance with GAAP as total revenue less loss and loss adjustment expense, net, other insurance expense, and depreciation and amortization (allocated to cost of revenue).

Adjusted Gross Profit

We define adjusted gross profit, a non-GAAP financial measure, as:

- Gross profit, excluding net investment income, plus
- Employee-related costs, plus
- Professional fees and other, plus

- Depreciation and amortization (allocated to cost of revenue).

- See "— Non-GAAP Financial Measures" for a reconciliation of total revenue to adjusted gross profit.

Adjusted EBITDA

We define adjusted EBITDA, a non-GAAP financial measure, as net loss excluding the impact of interest expense, income tax expense, depreciation, amortization, stock-based compensation, net investment income and other transactions that we consider to be unique in nature. See "— Non-GAAP Financial Measures" for a reconciliation of net loss to adjusted EBITDA in accordance with GAAP.

Gross Profit Margin

We define gross profit margin, expressed as a percentage, as the ratio of gross profit to total revenue.

Adjusted Gross Profit Margin

We define adjusted gross profit margin, a non-GAAP financial measure, expressed as a percentage, as the ratio of adjusted gross profit to total revenue. See "— Non-GAAP Financial Measures."

Ratio of Adjusted Gross Profit to Gross Earned Premium

We define Ratio of Adjusted Gross Profit to Gross Earned Premium, a non-GAAP financial measure, expressed as a percentage, as the ratio of adjusted gross profit to gross earned premium. Our Ratio of Adjusted Gross Profit to Gross Earned Premium provides management with useful insight into our operating performance. See "— Non-GAAP Financial Measures."

Gross Loss Ratio

We define gross loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense to gross earned premium.

Net Loss Ratio

We define net loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense, less amounts ceded to reinsurers, to net earned premium.

Results of Operations

Comparison of the Three Months Ended March 31, 2021 and 2020

	Three Months Ended March 31,			
	2021	2020	Change	% Change
	($ in millions)			
Revenue				
Net earned premium	$ 13.8	$ 25.3	$ (11.5)	(45) %
Ceding commission income	9.0	—	9.0	N/A
Net investment income	0.2	0.9	(0.7)	(78) %
Commission and other income	0.5	—	0.5	N/A
Total revenue	23.5	26.2	(2.7)	(10) %
Expense				
Loss and loss adjustment expense, net	16.5	18.2	(1.7)	(9) %
Other insurance expense	4.8	3.3	1.5	45 %
Sales and marketing	29.1	19.2	9.9	52 %
Technology development	7.1	3.5	3.6	103 %
General and administrative	14.1	18.2	(4.1)	(23) %
Total expense	71.6	62.4	9.2	15 %
Loss before income taxes	(48.1)	(36.2)	(11.9)	33 %
Income tax expense	0.9	0.3	0.6	200 %
Net loss	$ (49.0)	$ (36.5)	$ (12.5)	34 %

Net Earned Premium

Net earned premium decreased $11.5 million, or 45%, to $13.8 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 primarily due to the earning of increased gross written premium mostly offset by the earning of increased ceded written premium under our Proportional Reinsurance Contracts as discussed above under "Reinsurance".

	Three Months Ended March 31,			
	2021	2020	Change	% Change
	($ in millions)			
Gross written premium	$ 75.8	$ 38.1	$ 37.7	99 %
Ceded written premium	(55.6)	(4.3)	(51.3)	1193 %
Net written premium	$ 20.2	$ 33.8	$ (13.6)	(40)%

Gross written premium increased $37.7 million, or 99%, to $75.8 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily due to a 50% increase in net added customers year over year driven by the success of our digital advertising campaigns. We also continued to expand our geographic footprint and product offerings. Since March 31, 2020, we began writing policies in 9 additional U.S. states, launched a pet health insurance product in the U.S., and expanded internationally into the Netherlands and France. We also saw a 25% increase in premiums per customer year over year primarily due to the continued shift in the mix of underlying products toward higher value policies.

Ceded written premium increased $51.3 million, or 1,193%, to $55.6 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily due to the impact of the change in reinsurance arrangement. On July 1, 2020, we entered into Proportional Reinsurance Contracts where we cede 75% of our written premiums to our reinsurers that cover all of our products and geographies, and premium was ceded both on new policies written or renewed, as well as a portion of the unearned premium reserve.

Net written premium decreased $13.6 million, or 40%, to $20.2 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease was primarily due to the $51.3 million, or 1,193%, increase in ceded written premium offset by the increase in gross written premium for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020.

The table below shows the amount of premium we earned on a gross and net basis. Ceded earned premium as a percentage of gross earned premium increased to (75)% for the three months ended March 31, 2021, as compared to (17)% for the three months ended March 31, 2020 primarily due to the new Proportional Reinsurance Contracts.

	Three Months Ended March 31,			
	2021	2020	Change	% Change
	($ in millions)			
Gross earned premium	$ 56.2	$ 30.5	$ 25.7	84 %
Ceded earned premium	(42.4)	(5.2)	(37.2)	715 %
Net earned premium	$ 13.8	$ 25.3	$ (11.5)	(45) %

Ceding Commission Income

Ceding commission income of $9.0 million was recognized for the three months ended March 31, 2021 based on earned premium ceded related to the quota-share reinsurance agreements with third-party reinsurers during the period.

Net Investment Income

Net investment income decreased $0.7 million, or 78%, to $0.2 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease was primarily driven by lower interest rates on investment balances due to federal fund rate cuts since the prior period. We mainly invest in cash, money market funds, U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Government.

Commission and Other Income

Commission and other income of $0.5 million was recognized for the three months ended March 31, 2021 based on premium placed with third-party insurance companies during the period and installment fees billed.

Loss and Loss Adjustment Expense, Net

Loss and LAE, net decreased $1.7 million, or 9%, to $16.5 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease was primarily driven by the change in reinsurance structure in which approximately 75% of loss and LAE is ceded to reinsurers. The decrease was partially offset by net incurred losses of $6.5 million relating to Winter Storm Uri that affected our customers in the states of Texas and Oklahoma.

Other Insurance Expense

Other insurance expense increased $1.5 million, or 45%, to $4.8 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily due to employee-related expense, including stock-based compensation, which increased by $0.9 million, or 113%, as compared to the three months ended March 31, 2020, driven by an increase in underwriting staff to support our continued growth. Credit card processing fees increased $0.5 million, or 56%, as a result of the increase in customers and associated premium. Professional fees and other increased $0.5 million, or 63%, primarily in support of growth and expansion initiatives for new products. These increases were offset by a $0.4 million, or 50%, decrease in amortization of deferred acquisitions costs, net of ceding commissions.

Sales and Marketing

Sales and marketing expense increased $9.9 million, or 52%, to $29.1 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. Expense related to brand and performance advertising, the largest component of our sales and marketing expenses, increased by $6.7 million, or 46%, for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020, as a result of greater spending on search advertising and other customer acquisition channels in response to new product offerings. Employee-related expense, including stock-based compensation, increased by $3.1 million, or 97%, as compared to the prior year period, driven by an increase in sales and marketing headcount to support our continued growth and expansion into new markets.

Technology Development

Technology development expense increased $3.6 million, or 103%, to $7.1 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. Employee-related expense, including stock-based compensation, and net of capitalized costs for the development of internal-use software, increased $3.3 million, or 122%, as compared to the three months ended March 31, 2020, driven by an increase in payroll expense for product, engineering, design and quality assurance personnel to support our continued growth and product development initiatives, including automation, improvement in machine learning and geographic expansion. Technology tools and software expense increased by $0.3 million, or 100%.

General and Administrative

General and administrative expense decreased $4.1 million, or 23%, to $14.1 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. After taking into account the impact of the $12.2 million non-cash expense recognized during the three months ended March 31, 2020 in connection with the contribution to the Lemonade Foundation of 500,000 shares of common stock with a fair market value of $24.36 per share, general and administrative expense increased $8.1 million, or 135%, during the three months ended March 31, 2021 compared to the three months ended March 31, 2020. Employee-related expense, including stock-based compensation, increased by $4.6 million, or 164%, as we increased finance, legal, business operations and administrative personnel. Insurance obtained for operating as a public company increased by $2.3 million, or 2,300%. Depreciation expense increased $0.6 million or 200%, and bad debt expense increased by $0.5 million, or 125%.

Income Tax Expense

Income tax expense increased $0.6 million, or 200%, to $0.9 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 due to increased tax liability related to income generated by our subsidiaries organized under the laws of the Netherlands and Israel.

Net Loss

Net loss increased $12.5 million, or 34%, to $49.0 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 due to the factors described above.

Non-GAAP Financial Measures

The non-GAAP financial measures below have not been calculated in accordance with GAAP and should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP results. In addition, adjusted gross profit and adjusted gross profit margin, Ratio of Adjusted Gross Profit to Gross Earned Premium, and adjusted EBITDA should not be construed as indicators of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions. Therefore, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

Our management uses these non-GAAP financial measures, in conjunction with GAAP financial measures, as an integral part of managing our business and to, among other things: (i) monitor and evaluate the performance of our business operations and financial performance; (ii) facilitate internal comparisons of the historical operating performance of our business operations; (iii) facilitate external comparisons of the results of our overall business to the historical operating performance of other companies that may have different capital structures and debt levels; (iv) review and assess the operating performance of our management team; (v) analyze and evaluate financial and strategic planning decisions regarding future operating investments; and (vi) plan for and prepare future annual operating budgets and determine appropriate levels of operating investments.

Adjusted Gross Profit and Adjusted Gross Profit Margin

We define adjusted gross profit, a non-GAAP financial measure, as gross profit excluding net investment income plus fixed cost and overhead associated with our underwriting operations including employee-related expense and professional fees and other, and depreciation and amortization allocated to cost of revenue. After these adjustments, the resulting calculation is inclusive of only those variable costs of revenue incurred on the successful acquisition of business and without the volatility of investment income. We use adjusted gross profit as a key measure of our progress towards profitability and to consistently evaluate the variable contribution to our business from underwriting operations from period to period.

We define adjusted gross profit margin, a non-GAAP financial measure, expressed as a percentage, as the ratio of adjusted gross profit to total revenue.

The following table provides a reconciliation of total revenue to adjusted gross profit and the related adjusted gross profit margin for the periods presented:

	Three Months Ended March 31,	
	2021	2020
	($ in millions)	
Total revenue	$ 23.5	$ 26.2
Adjustments:		
Loss and loss adjustment expense, net	$ (16.5)	$ (18.2)
Other insurance expense	(4.8)	(3.3)
Depreciation and amortization	(0.3)	(0.1)
Gross profit	$ 1.9	$ 4.6
Gross profit margin (% of total revenue)	8 %	18 %
Adjustments:		
Net investment income	$ (0.2)	$ (0.9)
Employee-related expense	1.7	0.9
Professional fees and other	1.3	0.7
Depreciation and amortization	0.3	0.1
Adjusted gross profit	$ 5.0	$ 5.4
Adjusted gross profit margin (% of total revenue)	21 %	21 %

Ratio of Adjusted Gross Profit to Gross Earned Premium

The Ratio of Adjusted Gross Profit to Gross Earned Premium measures the relationship between the underlying business volume and gross economic benefit generated by our underwriting operations, on the one hand, and our underlying profitability trends, on the other. We rely on this measure, which supplements our gross profit ratio as calculated in accordance with GAAP, because it provides management with insight into our underlying profitability trends over time.

We use gross earned premium as the denominator in calculating this ratio, which excludes the impact of premiums ceded to reinsurers, because we believe that it reflects the business volume and the gross economic benefit generated by our underlying underwriting operations, which in turn are the key drivers of our future profit opportunities. We exclude the impact of ceded premiums from the denominator because ceded premiums can change rapidly and significantly based on the type and mix of reinsurance structures we use and, therefore, add volatility that is not indicative of our underlying profitability. For example, a shift to a proportional reinsurance arrangement would result in an increase in ceded premium, with offsetting benefits to gross profit from ceded losses and ceding commissions earned, resulting in a nominal overall economic impact. This shift would result in a steep decline in total revenue with a corresponding spike in gross margin, whereas we expect that the Ratio of Adjusted Gross Profit to Gross Earned Premium would remain relatively unchanged. We expect our reinsurance structure to evolve along with our costs and capital requirements, and we believe that our reinsurance structure at a given time does not reflect the performance of our underlying underwriting operations, which we expect to be the key driver of our costs of reinsurance over time.

On the other hand, the numerator, which is adjusted gross profit, includes the net impact of all reinsurance, including ceded premiums and the benefits of ceded losses and ceding commissions earned. Because our reinsurance structure is a key component of our risk management and a key driver of our profitability or loss in a given period, we believe this is meaningful.

Therefore, by providing this Ratio of Adjusted Gross Profit to Gross Earned Premium for a given period, we are able to assess the relationship between business volume and profitability, while eliminating the volatility from the cost of our then-current reinsurance structure, which is driven primarily by the performance of our insurance underwriting platform rather than our business volume.

The following table sets forth our calculation of the Ratio of Adjusted Gross Profit to Gross Earned Premium for the periods presented:

	Three Months Ended March 31,	
	2021	2020
	($ in millions)	
Numerator: Adjusted gross profit	$ 5.0	$ 5.4
Denominator: Gross earned premium	$ 56.2	$ 30.5
Ratio of Adjusted Gross Profit to Gross Earned Premium	9 %	18 %

Adjusted EBITDA

We define adjusted EBITDA, a non-GAAP financial measure, as net loss excluding interest expense, income tax expense, depreciation, amortization, stock-based compensation, net investment income, and other transactions that we would consider to be unique in nature. We exclude these items from adjusted EBITDA because we do not consider them to be directly attributable to our underlying operating performance. We use adjusted EBITDA as an internal performance measure in the management of our operations because we believe it gives our management and other customers of our financial information useful insight into our results of operations and our underlying business performance. Adjusted EBITDA should not be viewed as a substitute for net loss calculated in accordance with GAAP, and other companies may define adjusted EBITDA differently.

The following table provides a reconciliation of adjusted EBITDA to net loss for the periods presented:

	Three Months Ended March 31,	
	2021	2020
	($ in millions)	
Net loss	$ (49.0)	$ (36.5)
Adjustments:		
Income tax expense	0.9	0.3
Depreciation and amortization	0.9	0.3
Stock-based compensation	6.1	2.2
Contribution to the Lemonade Foundation	—	12.2
Net investment income	(0.2)	(0.9)
Adjusted EBITDA	$ (41.3)	$ (22.4)

Liquidity and Capital Resources

As of March 31, 2021, we had $1,174.4 million in cash and cash equivalents. From the date we commenced operations, we have generated negative cash flows from operations, and we have financed our operations primarily through private and public sales of equity securities. On January 14, 2021, we issued and sold 3,300,000 shares of common stock, and generated net proceeds to us of $525.7 million after deducting underwriting discounts and other offering costs. On February 1, 2021, the underwriters exercised their option to purchase additional shares, which resulted in the issuance and sale of an additional 718,647 shares of common stock by us, and generated additional net proceeds of $114.6 million. Excluding capital raises, our principal sources of funds are insurance premiums, investment income, reinsurance recoveries and proceeds from the maturity and sale of invested assets. These funds are primarily used to pay claims, operating expenses and taxes. We believe our existing cash and cash equivalents as of March 31, 2021 will be sufficient to meet our working capital and capital expenditures needs over at least the next 12 months.

Our cash flows used in operations may differ substantially from our net loss due to non-cash charges or due to changes in balance sheet accounts.

The timing of our cash flows from operating activities can also vary among periods due to the timing of payments made or received. Some of our payments and receipts, including loss settlements and subsequent reinsurance receipts, can be significant. Therefore, their timing can influence cash flows from operating activities in any given period. The potential for a large claim under an insurance or reinsurance contract means that our insurance subsidiaries may need to make substantial payments within relatively short periods of time, which would have a negative impact on our operating cash flows.

We are a holding company that transacts a majority of our business through operating subsidiaries. Consequently, our ability to pay dividends to stockholders, meet debt payment obligations and pay taxes and operating expenses is largely dependent on dividends or other distributions from our subsidiaries and affiliates, whose ability to pay us is highly regulated.

Our U.S. and Dutch insurance company subsidiaries, and our Dutch insurance holding company, are restricted by statute as to the amount of dividends that they may pay without the prior approval of their respective competent regulatory authorities. As of March 31, 2021, cash and short-term investments held by these companies was $141.4 million.

Insurance companies in the United States are also required by state law to maintain a minimum level of policyholder’s surplus. Insurance regulators in the states in which we operate have a risk-based capital standard designed to identify property and casualty insurers that may be inadequately capitalized based on inherent risks of the insurer’s assets and liabilities and its mix of net written premium. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action. As of March 31, 2021, the total adjusted capital of our U.S. insurance subsidiary was in excess of its respective prescribed risk-based capital requirements.

The following table summarizes our cash flow data for the periods presented:

	Three Months Ended March 31,	
	2021	2020
	($ in millions)	
Net cash used in operating activities	$ (40.3)	$ (19.4)
Net cash (used in) provided by investing activities	$ (2.0)	$ 23.5
Net cash provided by financing activities	$ 646.4	$ —

Operating Activities

Cash used in operating activities was $40.3 million for the three months ended March 31, 2021, an increase of $20.9 million from $19.4 million for the three months ended March 31, 2020. This reflected the $12.5 million increase in our net loss, offset by increases in unearned premium and unpaid loss and loss adjustment expense, that exceeded the increases in premiums receivable, prepaid reinsurance premium and amounts expected to be recovered from our reinsurance partners. The decrease in cash used in operating activities from three months ended March 31, 2021 compared to the three months ended March 31, 2020 was primarily due to the volume and timing of premium receipts, claim payments and settlements with our reinsurance partners.

Cash used in operating activities was $19.4 million for three months ended March 31, 2020. This resulted from our net loss of $36.5 million, partially offset by non-cash charges and net cash provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of non-cash stock-based compensation. Net cash provided by changes in operating assets and liabilities primarily consisted of increases in unearned premiums, unpaid loss and loss adjustment expense and accrued and other liabilities partially offset by increases in premiums receivables and amounts expected to be recovered from our reinsurance partners.

Investing Activities

Cash used in investing activities was $2.0 million for the three months ended March 31, 2021 primarily due to purchases in property and equipment during the period.

Cash provided by investing activities was $23.5 million for the three months ended March 31, 2020 primarily due to proceeds from the sale or maturity of fixed income securities, offset by purchases of short-term investments and U.S. government obligations and purchases of property and equipment.

Financing Activities

Cash provided by financing activities was $646.4 million for the three months ended March 31, 2021 primarily due to proceeds received from our Follow-on Offering as discussed above.

There were no financing activities for the three months ended March 31, 2020.

We do not have any current plans for material capital expenditures other than current operating requirements. We believe that we will generate sufficient cash flows from operations to satisfy our liquidity requirements for at least the next 12 months. To the extent our future operating cash flows are insufficient to cover our net losses from catastrophic events, we had $1,181.2 million in cash and investment securities available at March 31, 2021, including $640.3 million in net proceeds from our Follow-on Offering. We also have the ability to access additional capital through pursuing third-party borrowings, sales of our equity, issuance of debt securities or entrance into new reinsurance arrangements.

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations from those described in our Annual Report on Form 10-K for the year ended December 31, 2020.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by applicable regulations of the SEC, that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP in the United States. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to unpaid loss and loss adjustment expense, reinsurance assets, stock-based compensation, income tax assets and liabilities, including recoverability of our net deferred tax asset, income tax provisions and certain non-income tax accruals. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2020 and the notes to the unaudited interim condensed financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. During the three months ended March 31, 2021, there were no material changes to our critical accounting policies from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Recently Issued and Adopted Accounting Pronouncements

See "Note 4 — Summary of Significant Accounting Policies" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a discussion of accounting pronouncements recently adopted and recently issued accounting pronouncements not yet adopted and their potential impact to our financial statements.

Election Under the Jumpstart Our Business Startups Act of 2012

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies.

The Company has elected to adopt new or revised accounting guidance within the same time period as private companies, unless management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance. Our utilization of these transition periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign currency exchange rates and commodity prices. Our consolidated balance sheets include assets and liabilities with estimated fair values that are subject to market risk, and the primary components of market risk affecting the Company are interest rate risk and credit risk on investments in fixed maturities. The Company does not have equity price risk or exposure to commodity risk. There were no invested assets denominated in foreign currencies.

Overview

The Company's investment portfolio is primarily fixed income securities issued by the U.S. government and government agencies with relatively short durations. The investment portfolio is managed in accordance with the investment policies and guidelines approved by the board of directors. The Company's investment policy and objectives provide a balance between current yield, conservation of capital, and liquidity requirements of the Company's operations setting guidelines that provide for a well-diversified investment portfolio that is compliant with insurance regulations applicable to the states in which we operate. The policy, which may change from time to time, and is approved by the board of directors and reviewed on a regular basis in order to ensure that the policy evolves in response to changes in the financial markets.

Interest Rate Risk

Interest rate risk is the risk that the Company will incur a loss due to adverse changes in interest rates relative to the interest rate characteristics of interest bearing assets and liabilities. As market interest rates decrease, the value of the portfolio increases and vice versa. A common measure of the interest sensitivity of fixed maturity assets is modified duration, a calculation that utilizes maturity, coupon rate, yield and call terms to calculate an average age to receive the present value of all the cash flows generated by such assets, including reinvestment of interest. The longer the duration, the more sensitive the asset is to market interest rate fluctuations. We manage this interest rate risk by investing in securities with relatively short durations. In addition, if a 10% change in interest rates were to have immediately occurred on March 31, 2021, this change would not have a material effect on the fair value of our investments as of that date.

Credit Risk

We are also exposed to credit risk on our investment portfolio. Credit risk results from uncertainty in a counterparty's ability to meet its obligations. We monitor our investment portfolio to ensure that credit risk does not exceed prudent levels. The majority of our investment portfolio is invested in high credit quality, investment grade fixed maturity securities. As of March 31, 2021, none of our fixed maturity portfolio was unrated or rated below investment grade.

Inflation Risk

Inflationary factors such as increases in overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of operating expenses as a percentage of revenue, if the selling prices of our products do not increase with these increased costs.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not subject to any material legal proceedings.

Item 1A. Risk Factors.

The Company's business, results of operations, and financial condition are subject to various risks described in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes to the risk factors identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Use of Proceeds

On July 1, 2020, the SEC declared effective our registration statement on Form S-1 (File No. 333-239007), as amended, filed in connection with our initial public offering, or Registration Statement.

The net proceeds of approximately $335.6 million from our initial public offering have been invested in investment grade, interest-bearing instruments. There has been no material change in the expected use of the net proceeds from our initial public offering as described in our final prospectus, dated July 1, 2020, filed with the SEC pursuant to Rule 424(b) relating to our Registration Statement.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

		Incorporated by Reference			
Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Lemonade, Inc.	8-K	001-39367	3.1	7/10/2020
3.2	Amended and Restated By-laws of Lemonade, Inc.	8-K	001-39367	3.2	7/10/2020
4.1	Specimen Common Stock Certificate of Lemonade, Inc.	S-1/A	333-239007	4.1	6/23/2020
10.1*	Form of Option Agreement under the 2020 Incentive Award Plan (Israel)				
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).				
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).				
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.				
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Lemonade, Inc.

Date:	May 12, 2021	By:	/s/ Daniel Schreiber
			Daniel Schreiber Chief Executive Officer
Date:	May 12, 2021	By:	/s/ Tim Bixby
			Tim Bixby Chief Financial Officer

Exhibit 10.1

LEMONADE, INC.
2020 INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE AND
STOCK OPTION AGREEMENT

Lemonade, Inc., a Delaware corporation (the "Company"), pursuant to its 2020 Incentive Award Plan, as amended from time to time (the "Plan") and the Israeli Appendix for Israeli Taxpayers, as amended from time to time (the "IL Appendix"), hereby grants to the IL Optionee listed below (the "Participant") an option to purchase the number of Shares set forth below (the "Option"). The Option is subject to the terms and conditions set forth in this Stock Option Grant Notice (the "Grant Notice"), the Plan and the Stock Option Agreement attached hereto as Exhibit A (the "Agreement"), each of which is incorporated into this Grant Notice by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Agreement.

Participant:	
Grant Date:	
Exercise Price Per Share:	
Total Exercise Price:	
Total Number of Shares Subject to Option:	
Expiration Date:	The earlier of (i) ten years as of the Grant Date or (ii) the termination, expiration or cancellation of the Option in accordance with the terms of the Plan.
Type of Option:	102 Capital Gains Track
Vesting Schedule:	

By Participant's signature below, Participant agrees to be bound by the terms and conditions of the Plan, the IL Appendix, the Agreement and the Grant Notice. Participant has reviewed the Plan, the IL Appendix, the Agreement and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Plan, the Agreement and the Grant Notice. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the IL Appendix, the Agreement and the Grant Notice.

LEMONADE, INC.	**PARTICIPANT**
By:	By:
Print Name:	Print Name:
Title:	

|||

EXHIBIT A
<u>TO STOCK OPTION GRANT NOTICE</u>

STOCK OPTION AGREEMENT

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant an Option under the Plan and the IL Appendix to purchase the number of Shares set forth in the Grant Notice.

Article I.
GENERAL

Article I.<u>Defined Terms</u>. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan, the IL Appendix or the Grant Notice. For purposes of this Agreement,

(1) "<u>Cessation Date</u>" shall mean the date of Participant's Termination of Service (regardless of the reason for such termination).

(2) "<u>Company Group</u>" shall mean the Company and its Affiliates.

(3) "<u>Company Group Member</u>" shall mean each member of the Company Group.

(4) "<u>Disability</u>" shall have the meaning ascribed to such term in any relevant employment agreement between Participant and a Company Group Member; *provided* that, in the absence of such agreement containing such definition, "Disability" shall mean permanent disability or incapacity as determined in accordance with the Company's disability insurance policy, if such a policy is then in effect, or if no such policy is then in effect, such permanent disability or incapacity shall be determined by the Board in its good faith judgment based upon inability to perform the essential functions of his or her position, with reasonable accommodation by the Company, for a period in excess of 180 days during any period of 365 calendar days.

i.<u>Incorporation of Terms of Plan</u>. Except where this Agreement explicitly states that this Agreement prevails over the Plan, theThe Option is subject to the terms and conditions set forth in this Agreement, the Plan and the IL Appendix, each of which is incorporated herein by reference. In the event of any inconsistency between the Plan, the IL Appendix and this Agreement, the terms of the Plan and the IL Appendix shall control.

ii.<u>Applicable References</u>. All references in this Agreement to Section 102 and the Trustee shall only apply in the event of a 102 Capital Gains Track Grant under this Agreement and shall not apply in the event of a 3(i) Award grant.

Article II.
GRANT OF OPTION

iii.<u>Grant of Option</u>. In consideration of Participant's past and/or continued employment with or service to any Company Group Member, and for other good and valuable consideration that the Administrator has determined exceeds the aggregate par value of the Shares subject to the Option, effective as of the grant date set forth in the Grant Notice (the "<u>Grant Date</u>"), the Company hereby grants to Participant the Option to purchase any part or all of an aggregate number of Shares set forth in the Grant Notice upon the terms and conditions set forth in the Grant Notice, the Plan, the IL Appendix and this Agreement, subject to adjustment as provided in Article 12 of the Plan.

iv. Exercise Price. The exercise price per Share of the Shares subject to the Option (the "Exercise Price") shall be as set forth in the Grant Notice.

v. Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to any Company Group Member. Nothing in the Plan, the IL Appendix, the Grant Notice or this Agreement shall confer upon Participant any right to continue in the employ or service of any Company Group Member or shall interfere with or restrict in any way the rights of the Company Group, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between any Company Group Member and Participant.

vi. Section 102 Rules and Regulation. With respect to 102 Capital Gains Track Grant, the Participant hereby acknowledges that he or she is familiar with the provisions of Section 102 and the regulations and rules promulgated thereunder, including without limitations the type of Option granted hereunder and the tax implications applicable to such grant. The Participant accepts and agrees to the provisions of the Trustee engagement form signed between the Company and the Trustee, in the form attached to this Agreement as Schedule A.

Article II.
PERIOD OF EXERCISABILITY

vii. Commencement of Exercisability.

(1) Subject to Participant's continued employment with or service to a Company Group Member through the applicable vesting date and subject to anything in the Grant Notice, the Plan, the IL Appendix, or this Agreement to the contrary, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(2) Unless otherwise determined by the Administrator or as set forth in a written agreement between Participant and the Company, any portion of the Option that has not become vested and exercisable on or prior to the Cessation Date (including, without limitation, pursuant to any employment or similar agreement by and between Participant and the Company) shall be forfeited on the Cessation Date and shall not thereafter become vested or exercisable.

viii. Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment that becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3 hereof. Once the Option becomes unexercisable, it shall be forfeited immediately.

ix. Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(1) The expiration date set forth in the Grant Notice;

(2) Except as the Administrator may otherwise approve, the expiration of six (6) months from the Cessation Date by reason of Participant's Termination of Service due to death or Disability; and

(3) Except as the Administrator may otherwise approve, immediately upon the Cessation Date by reason of Participant's Termination of Service by the Company Group for Cause.

(4) Except as the Administrator may otherwise approve, the expiration of ninety (90) days from the date of Participant's Termination of Service for any reason.

Article II.
EXERCISE OF OPTION

x. Person Eligible to Exercise. During the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3 hereof, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then Applicable Laws of descent and distribution.

xi. Partial Exercise. Subject to Section 5.5, any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3 hereof.

xii. Additional Requirements. In order for the Company to issue Shares upon the exercise of the Option, Participant hereby agrees to sign any and all documents required by any applicable law and/or as reasonably required by the Administrator. Participant further agrees that in the event that the Company and its counsel deem it necessary or advisable, in their sole discretion, the issuance of Shares may be conditioned upon certain representations, warranties, and acknowledgements by Participant.

xiii. Compliance with Law. The Company shall not be obligated to issue any Shares upon the exercise of the Option if such issuance, in the opinion of the Company, might constitute a violation by the Company of any provision of law.

xiv. Section 102 Restrictions. With respect to any 102 Capital Gains Track Grant, subject to the provisions of Section 102 and any rules or regulations or orders or procedures promulgated thereunder, a Participant shall not sell or release from trust any Share received upon the exercise of a 102 Capital Gains Track Grant and/or any share received subsequently following any realization of rights, including without limitation, bonus shares, until the lapse of the Required Holding Period required under Section 102. Notwithstanding the above, if any such sale or release occurs during the Required Holding Period, the sanctions under Section 102 and under any rules or regulation or orders or procedures promulgated thereunder shall apply to and shall be borne by such Participant.

Article II.
OTHER PROVISIONS

xv. Tax Withholding. Notwithstanding any other provision of this Agreement:

(1) The Company Group and/or the Trustee shall have the authority to deduct or withhold, or require Participant to remit to the applicable Company Group Member, an amount sufficient to satisfy any applicable federal, state, local and foreign taxes required by Applicable Law to be withheld with respect to any taxable event arising pursuant to this Agreement. In the event that the Company Group determine that it is required to withhold any tax as a result of the exercise of this Option, Participant, as a condition to the exercise of this Option, shall make arrangements satisfactory to the Company Group to enable it to satisfy all withholding requirements. The Company Group may withhold or Participant may make such payment in one or more of the forms specified below:

(a) by a bank wire transfer, an ACH (automated clearing house) mechanism, or any other means of electronic funds transfer made payable to the Trustee and/or to the Company Group Member with respect to which the withholding obligation arises;

(b) by the deduction of such amount from other compensation payable to Participant;

(2) Participant shall also make arrangements satisfactory to the Group Company to enable it to satisfy any withholding requirements that may arise in connection with the disposition of Shares purchased by exercising this Option.

(3) Any tax consequences arising from the grant or exercise of the Option, from the payment for Shares covered thereby or from any other event or act (of the Company and/or its Affiliates, the Trustee or Participant), hereunder, shall be borne solely by the Participant. Participant is ultimately liable and responsible for, and, to the extent permitted by Applicable Law, agrees to indemnify and keep indemnified the Company Group from, all taxes owed in connection with the Option, regardless of any action any Company Group Member takes with respect to any tax withholding obligations that arise in connection with the Option. No Company Group Member makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Shares. The Company Group does not commit and is under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

(4) The Participant will not be entitled to receive from the Company and/or the Trustee any Shares allocated or issued upon the exercise of the Option prior to the full payments of the Participant's tax liabilities arising from the Option which was granted to him or her and/or Shares issued upon the exercise such Option. For the avoidance of doubt, the Company and/or the Trustee shall be required to release any share certificate to the Participant until all payments required to be made by the Participant have been fully satisfied.

(5) The receipt of the Option and the acquisition of the Shares to be issued upon the exercise of the Option may result in tax consequences. THE PARTICIPANT IS ADVISED TO CONSULT A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING OR EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

xvi. Obligations to the Company. Participant agrees to comply with the terms and conditions of that certain Proprietary Information, Assignment of Inventions Non-Disclosure and Non-Compete Agreement by and between Participant and the Company, which is incorporated by reference herein, and Participant acknowledges and agrees that the grant of the Option shall be in material part in consideration of Participant's reaffirmation of Participant's agreement to comply with the covenants set forth therein.

xvii. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares purchasable upon the exercise of any part of the Option unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars and delivered to Participant (including through electronic delivery to a brokerage account). No adjustment will be made for a dividend or other right for which the record date is prior to the date of such issuance, recordation and delivery, except as provided in Section 12.2 of the Plan. Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

xviii. Administration. The Administrator shall have the power to interpret the Plan, the IL Appendix, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the IL Appendix, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

xix. Whole Shares. The Option may only be exercised for whole Shares and in no case may a fraction of a Share be purchased.

xx. Option Not Transferable. Subject to Section 4.1 hereof, the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the Option have been issued, and all restrictions applicable to such Shares have lapsed. Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

xxi. Adjustments. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement, the Plan and the IL Appendix, including Section 12.2 of the Plan.

xxii. Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address or email address reflected on the Company's records. By a notice given pursuant to this Section 5.8, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

xxiii. Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

xxiv. Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

xxv. Conformity to Securities Laws. Participant acknowledges that the Plan, the IL Appendix, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, the ITO and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, the ITA and any other state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan and the IL Appendix shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the IL Appendix, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

xxvi. Amendment, Suspension and Termination. To the extent permitted by the Plan and the IL Appendix, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan and the IL Appendix, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of Participant.

xxvii. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 5.6, the Plan and the IL Appendix, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

xxviii.No other Rights. The Participant hereby acknowledges that participation in the Plan is voluntary. The value of the Option is an extraordinary item of compensation outside the scope of Participant's normal compensation rights, if any. As such, the Option is not part of normal or expected compensation for purposes of calculating any payments due to severance, resignation, redundancy, end of service, bonuses, long-service awards, pensions or retirement benefits or similar payments. The Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of the Option under the Plan is a one-time benefit and does not create any contractual or other right to receive any other grant of the Option or other Awards under the Plan in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of the grant, the form of the Award, number of Shares subject to an Award, vesting, and exercise or settlement provisions, as relevant.

xxix.Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an Employee or other service provider of any Company Group Member or shall interfere with or restrict in any way the rights of the Company Group, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between a Company Group Member and Participant.

xxx.Entire Agreement. The Plan, the IL Appendix, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

xxxi.No Obligation to Exercise the Option. The grant and acceptance of the Option imposes no obligation on the Participant to exercise.

xxxii.Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

xxxiii.Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the right to receive Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms hereof.

xxxiv.Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

Exhibit 31.1

CERTIFICATION

I, Daniel Schreiber, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lemonade, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [omitted];

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2021

By: /s/ Daniel Schreiber

Daniel Schreiber
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Tim Bixby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lemonade, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [omitted];

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 12, 2021

By: /s/ Tim Bixby

Tim Bixby
Chief Financial Officer
(*principal financial officer*)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Lemonade, Inc. (the “Company”) for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I Daniel Schreiber, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2021

By: /s/ Daniel Schreiber
Daniel Schreiber
Chief Executive Officer
(*principal executive officer*)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Lemonade, Inc. (the "Company") for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tim Bixby, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2021

By: /s/ Tim Bixby
Tim Bixby
Chief Financial Officer
(*principal financial officer)*