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 June 30, 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 August 10, 2021, the registrant had 61,556,857 shares of common stock, $0.00001 par value per share, outstanding.

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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	
	June 30, 2021 (Unaudited)	December 31, 2020
Assets		
Investments		
Fixed maturities available-for-sale, at fair value (amortized cost: $71.3 million and $6.4 million as of June 30, 2021 and December 31, 2020)	$ 71.2	$ 6.6
Total investments	71.2	6.6
Cash, cash equivalents and restricted cash	1,092.7	571.4
Premium receivable, net of allowance for doubtful accounts of $0.7 million and $0.5 million as of June 30, 2021 and December 31, 2020	108.1	86.1
Reinsurance recoverable	64.7	49.0
Prepaid reinsurance premium	120.3	91.3
Deferred acquisition costs	4.9	3.5
Property and equipment, net	8.8	5.7
Intangible assets	0.6	0.6
Other assets	16.0	14.5
Total assets	$ 1,487.3	$ 828.7
Liabilities and Stockholders' Equity		
Unpaid loss and loss adjustment expense	$ 64.7	$ 46.3
Unearned premium	166.0	123.8
Trade payables	1.3	1.4
Funds held for reinsurance treaties	77.6	62.1
Deferred ceding commission	30.1	22.4
Ceded premium payable	18.0	13.0
Other liabilities and accrued expenses	28.0	18.7
Total liabilities	385.7	287.7
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, $0.00001 par value, 200,000,000 shares authorized; 61,532,127 and 56,774,294 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	1,525.9	859.8
Accumulated deficit	(425.2)	(320.6)
Accumulated other comprehensive income	0.9	1.8
Total stockholders' equity	1,101.6	541.0
Total liabilities and stockholders' equity	$ 1,487.3	$ 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue				
Net earned premium	$ 16.3	$ 29.2	$ 30.1	$ 54.5
Ceding commission income	10.6	0.4	19.6	0.4
Net investment income	0.2	0.2	0.4	1.1
Commission and other income	1.1	0.1	1.6	0.1
Total revenue	28.2	29.9	51.7	56.1
Expense				
Loss and loss adjustment expense, net	13.0	20.5	29.5	38.7
Other insurance expense	5.2	4.0	10.0	7.3
Sales and marketing	33.1	16.1	62.2	35.3
Technology development	14.0	4.2	21.1	7.7
General and administrative	15.8	5.8	29.9	24.0
Total expense	81.1	50.6	152.7	113.0
Loss before income taxes	(52.9)	(20.7)	(101.0)	(56.9)
Income tax expense	2.7	0.3	3.6	0.6
Net loss	$ (55.6)	$ (21.0)	$ (104.6)	$ (57.5)
Other comprehensive income, net of tax				
Unrealized (loss) gain on investments	(0.2)	0.2	(0.1)	0.2
Foreign currency translation adjustment	0.3	—	1.0	—
Comprehensive loss	$ (55.5)	$ (20.8)	$ (103.7)	$ (57.3)
Per share data:				
Net loss per share attributable to common stockholders —basic and diluted	$ (0.90)	$ (1.77)	$ (1.72)	$ (4.89)
Weighted average common shares outstanding—basic and diluted	61,444,958	11,891,979	60,643,764	11,750,198

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
Exercise of stock options	—	—	162,024	—	1.7	—	—	1.7
Stock-based compensation	—	—	—	—	11.9	—	—	11.9
Net loss	—	—	—	—	—	(55.6)	—	(55.6)
Other comprehensive income	—	—	—	—	—	—	(0.1)	(0.1)
Balance as of June 30, 2021	—	$ —	61,532,127	$ —	$ 1,525.9	$ (425.2)	$ 0.9	$ 1,101.6

	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)
Exercise of stock options	—	—	30,562	—	0.1	—	—	0.1
Stock-based compensation	—	—	—	—	2.4	—	—	2.4
Release of shares upon repayment	—	—	513,537	—	1.3	—	—	1.3
Net loss	—	—	—	—	—	(21.0)	—	(21.0)
Other comprehensive income	—	—	—	—	—	—	0.2	0.2
Balance as of June 30, 2020	31,557,107	$ 480.2	12,369,701	$ —	$ 33.9	$ (255.8)	$ 0.3	$ (221.6)

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)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net loss	$ (104.6)	$ (57.5)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1.7	0.7
Stock-based compensation	18.0	4.6
Amortization of discount on bonds	—	(0.3)
Provision for bad debts	2.3	0.9
Common shares contribution to the Lemonade Foundation	—	12.2
Changes in operating assets and liabilities:		
Premium receivable	(24.4)	(11.6)
Reinsurance recoverable	(15.7)	(5.9)
Prepaid reinsurance premium	(29.0)	1.0
Deferred acquisition costs	(1.4)	(0.7)
Other assets	(1.5)	(3.5)
Unpaid loss and loss adjustment expense	18.4	7.1
Unearned premium	42.2	18.9
Trade payables	(0.1)	0.1
Funds held for reinsurance treaties	15.5	—
Deferred ceding commissions	7.7	—
Ceded premium payable	5.0	1.6
Other liabilities and accrued expenses	9.4	(2.9)
Net cash used in operating activities	(56.5)	(35.3)
Cash flows from investing activities:		
Proceeds from short-term investments sold or matured	—	40.0
Proceeds from bonds sold or matured	—	2.2
Cost of short-term investments acquired	—	(14.9)
Cost of bonds acquired	(64.6)	(2.9)
Purchases of property and equipment	(4.7)	(1.9)
Net cash (used in) provided by investing activities	(69.3)	22.5
Cash flows from financing activities:		
Proceeds from Follow-on Offering, net of underwriting discounts and commissions and offering costs	640.3	—
Proceeds from release of shares upon repayment	—	1.3
Proceeds from stock exercises	7.8	0.1
Net cash provided by financing activities	648.1	1.4
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1.0)	(0.1)
Net increase in cash, cash equivalents and restricted cash	521.3	(11.5)
Cash, cash equivalents and restricted cash at beginning of period	571.4	270.3
Cash, cash equivalents and restricted cash at end of period	$ 1,092.7	$ 258.8
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 1.1	$ 0.8

The accompanying notes are an integral part of the 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 and six months ended June 30, 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, valuation allowance on deferred tax assets and valuation on stock-based compensation prior to the Company's IPO.

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 June 30, 2021 and December 31, 2020 ($ in millions):

	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 1,092.4	$ 570.8
Restricted cash	0.3	0.6
Total cash, cash equivalents and restricted cash	$ 1,092.7	$ 571.4

Cash and cash equivalents consist primarily of bank deposits and 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 June 30, 2021 and December 31, 2020 ($ in millions):

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2021				
U.S. Government obligations	$ 71.3	$ 0.1	$ (0.2)	$ 71.2
Total	$ 71.3	$ 0.1	$ (0.2)	$ 71.2
December 31, 2020				
U.S. Government obligations	$ 6.4	$ 0.2	$ —	$ 6.6
Total	$ 6.4	$ 0.2	$ —	$ 6.6

Gross unrealized losses amounted to $0.2 million as of June 30, 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 June 30, 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.

	June 30, 2021	
	Cost or Amortized Cost	Fair Value
Due in one year or less	$ 1.1	$ 1.1
Due after one year through five years	70.2	70.1
Due after five years through ten years	—	—
Due after ten years	—	—
Total	$ 71.3	$ 71.2

Net investment income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest on cash and cash equivalents	$ 0.1	$ 0.1	$ 0.3	$ 0.8
Bonds	0.1	—	0.1	—
Short-term investments	—	0.1	—	0.3
Total net investment income	$ 0.2	$ 0.2	$ 0.4	$ 1.1

Investment gains and losses

The Company did not have any pre-tax net realized capital gains or losses for the three and six months ended June 30, 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 June 30, 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
June 30, 2021						
U.S. Government obligations	$ —	$ (0.2)	$ —	$ —	$ —	$ (0.2)
Total	$ —	$ (0.2)	$ —	$ —	$ —	$ (0.2)

	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 investments in gross unrealized loss position for twelve months or more as of June 30, 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 June 30, 2021 and 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 June 30, 2021 and December 31, 2020, none of the debt securities were held in unrealized loss position for 12 months or more.

6. Fair Value Measurements

The following tables present the Company's fair value hierarchy for financial assets and liabilities measured as of June 30, 2021 and December 31, 2020 ($ in millions):

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Government obligations	$ —	$ 71.2	$ —	$ 71.2
Total	$ —	$ 71.2	$ —	$ 71.2

	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 and six months ended June 30, 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 six months ended June 30, 2021 and 2020 ($ in millions):

	Six Months Ended June 30,	
	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	29.9	33.5
Prior years	(0.4)	5.2
Total incurred	29.5	38.7
Deduct: Paid loss and LAE, net of reinsurance, related to:		
Current year	19.0	24.4
Prior years	5.5	13.2
Total paid	24.5	37.6
Unpaid loss and LAE, net of reinsurance recoverable, at end of period	15.0	10.8
Reinsurance recoverable at end of period (1)	49.7	24.5
Unpaid loss and LAE, gross of reinsurance recoverable, at end of period	$ 64.7	$ 35.3

(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 $0.4 million for the six months ended June 30, 2021, and favorable development on net loss and LAE reserves of $5.2 million for the six months ended June 30, 2020. No additional premiums or returned premiums have been accrued as a result of prior year effects.

For the six months ended June 30, 2021, current accident year incurred loss and LAE included $6.2 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 June 30, 2021 represents the Company's best estimates based upon information currently available.

Through June 30, 2021, the Company has 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.

A portion of the Company’s proportional reinsurance program expired on June 30, 2021. The Company renewed the majority of the expiring reinsurance contracts at terms that are very similar to the prior agreements. As the business continues to grow and diversify, and with stability in our insurance results, the Company decreased the overall share of proportional reinsurance from 75% of premium to 70%. In addition, the Company purchased a new reinsurance program to protect against natural catastrophe risk in the U.S. Other non-proportional reinsurance contracts were renewed with terms similar to the expiring contracts.

8. Other Liabilities and Accrued Expenses

Other liabilities and accrued expenses as of June 30, 2021 and December 31, 2020 consist of the following ($ in millions):

	June 30, 2021	December 31, 2020
Accrued advertising costs	$ 10.3	$ 6.8
Employee compensation payable	3.8	3.7
Premium taxes payable	3.0	3.2
Income tax payable	2.6	0.3
Advance premium	2.5	—
Accrued professional fees	2.4	2.6
VAT payable	0.2	0.2
Other payables	3.2	1.9
Total other liabilities and accrued expenses	$ 28.0	$ 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 June 30, 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 June 30, 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 June 30, 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 June 30, 2021, there were 5,890,700 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 June 30, 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 June 30, 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 six months ended June 30, 2021 and 2020 is estimated on the date of grant using the Black-Scholes model based on the following assumptions:

	Six Months Ended June 30,	
	2021	2020
Weighted average expected term (years)	6.3	6.1
Risk-free interest rate	1.3%	1.0%
Volatility	49%	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	2,052,325	102.81		
Exercised	(739,186)	10.56		
Cancelled	(223,241)	39.21		
Outstanding as of June 30, 2021	6,034,609	$ 48.65	8.51	$ 382.66
Options exercisable as of June 30, 2021	1,720,686	$ 13.51	7.20	$ 165.22
Options unvested as of June 30, 2021	4,313,923	$ 62.65	9.03	$ 217.44

Restricted Stock Units

	Number of shares	Grant Date Fair Value
Outstanding as of December 31, 2020	—	$ —
Granted	57,004	151.58
Vested	—	—
Cancelled	(1,875)	159.02
Outstanding as of June 30, 2021	55,129	$ 151.33

Stock-based compensation expense

Stock-based compensation expense from stock options and RSUs granted included and classified in the condensed consolidated statements of operations for the six months ended June 30, 2021 and 2020 is as follows ($ in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Loss and loss adjustment expense, net	$ 0.5	$ 0.1	$ 0.7	$ 0.1
Other insurance expense	0.2	0.2	0.4	0.4
Sales and marketing	1.3	0.6	2.4	1.3
Technology development	6.8	0.7	7.5	1.3
General and administrative	3.1	0.8	7.0	1.5
Total stock-based compensation expense	$ 11.9	$ 2.4	$ 18.0	$ 4.6

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options	$ 10.5	$ 2.4	$ 16.0	$ 4.6
RSUs	1.4	—	2.0	—
Total stock-based compensation expense	$ 11.9	$ 2.4	$ 18.0	$ 4.6

The total unrecognized expense granted to employees and non-employees outstanding at June 30, 2021 was $108.2 million for the stock options and $6.4 million for the RSUs, with a remaining weighted-average vesting period of 1.5 years for the stock options and 1.5 years for the RSUs.

11. Income Taxes

Effective tax rates

The consolidated effective tax rate for the six months ended June 30, 2021 and 2020 was (3.6)% and (1.0)%, 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 June 30, 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 June 30, 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 June 30, 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net loss attributable to common stockholders ($ in millions)	$ (55.6)	$ (21.0)	$ (104.6)	$ (57.5)
Denominator:				
Weighted average common shares outstanding — basic and diluted	61,444,958	11,891,979	60,643,764	11,750,198
Net loss per share attributable to common stockholders — basic and diluted	$ (0.90)	$ (1.77)	$ (1.72)	$ (4.89)

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 6,089,738 and 4,578,520 for the six months ended June 30, 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.

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 incurred less than $0.1 million of travel related expenses during the three and six months ended June 30, 2021, and less than $0.1 million of travel related expenses was incurred during the three and six months ended June 30, 2020.

The Company has historically leased office spaces in the United States and The Netherlands from an affiliate. Rental expense amounted to less than $0.1 million was incurred for the three and six months ended June 30, 2021, and less than $0.1 million for the three and six months ended June 30, 2020. There were no outstanding amounts due to or from related parties as of June 30, 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. Effective July 2021, the Company's President and Chief Operating Officer became the Company's Co-Chief Executive Officer. 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 June 30, 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 June 30, 2021 are as follows ($ in millions):

2021 (remaining six months)	$ 2.6
2022	4.9
2023	2.8
2024	2.8
2025 and thereafter	4.1
	$ 17.2

Expenses for lease of facilities for the three and six months ended June 30, 2021 were $1.1 million and $2.1 million, respectively, and for the three and six months ended June 30, 2020 were $1.0 million and $1.9 million, respectively, 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 June 30, 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 June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Jurisdiction	Amount	% of GWP	Amount	% of GWP	Amount	% of GWP	Amount	% of GWP
California	$ 22.2	24.8 %	$ 9.9	21.2 %	$ 41.4	25.0 %	$ 19.3	22.8 %
Texas	18.7	20.9 %	11.8	25.3 %	33.7	20.4 %	20.6	24.3 %
New York	10.9	12.2 %	5.3	11.3 %	20.9	12.6 %	10.2	12.0 %
Georgia	4.3	4.8 %	2.8	6.0 %	8.0	4.8 %	4.9	5.8 %
Illinois	4.1	4.6 %	2.6	5.6 %	7.1	4.3 %	4.2	5.0 %
New Jersey	3.7	4.1 %	1.6	3.4 %	6.8	4.1 %	3.1	3.7 %
Pennsylvania	2.3	2.6 %	1.1	2.4 %	4.1	2.5 %	1.8	2.1 %
Michigan	1.9	2.1 %	1.4	3.0 %	3.5	2.1 %	2.4	2.8 %
Colorado	2.0	2.2 %	0.8	1.7 %	3.4	2.1 %	1.5	1.8 %
Maryland	1.8	2.0 %	0.9	1.9 %	3.4	2.1 %	1.7	2.0 %
All other	17.6	19.7 %	8.5	18.2 %	33.0	20.0 %	15.1	17.7 %
	$ 89.5	100.0 %	$ 46.7	100.0 %	$ 165.3	100.0 %	$ 84.8	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 six months ended June 30, 2021, our gross written premium, or GWP, of $165.3 million nearly doubled from the $84.8 million of GWP we wrote during the six months ended June 30, 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 $51.7 million for the six months ended June 30, 2021 in comparison to $56.1 million for the six months ended June 30, 2020. Net loss was $104.6 million for the six months ended June 30, 2021 as compared to $57.5 million for the six months ended June 30, 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 six months ended June 30, 2021, our gross loss ratio of 96% 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 six months ended June 30, 2021 was 27%. 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 June 30, 2021, our in force premium, or IFP, was about 91% higher than it was on June 30, 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."

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.

Through June 30, 2021, 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.

A portion of Lemonade's proportional reinsurance program expired on June 30, 2021. We renewed the majority of the expiring reinsurance contracts at terms that are very similar to the prior agreements. As the business continues to grow and diversify, and with stability in our insurance results, we decreased the overall share of proportional reinsurance from 75% of premium to 70%. In addition, we purchased a new reinsurance program to protect us against natural catastrophe risk in the U.S. Other non-proportional reinsurance contracts were renewed with terms similar to the expiring contracts.

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	($ in millions, except Premium per customer)		($ in millions, except Premium per customer)	
Customers (end of period)	1,206,172	814,160	1,206,172	814,160
In force premium (end of period)	$ 296.8	$ 155.1	$ 296.8	$ 155.1
Premium per customer (end of period)	$ 246	$ 190	$ 246	$ 190
Annual dollar retention (end of period)	82 %	73 %	82 %	73 %
Total revenue	$ 28.2	$ 29.9	$ 51.7	$ 56.1
Gross earned premium	$ 66.9	$ 35.3	$ 123.1	$ 65.8
Gross profit	$ 9.8	$ 5.4	$ 11.7	$ 10.0
Adjusted gross profit	$ 12.8	$ 7.0	$ 17.8	$ 12.4
Net loss	$ (55.6)	$ (21.0)	$ (104.6)	$ (57.5)
Adjusted EBITDA	$ (40.4)	$ (18.2)	$ (81.7)	$ (40.6)
Gross profit margin	35 %	18 %	23 %	18 %
Adjusted gross profit margin	45 %	23 %	34 %	22 %
Ratio of Adjusted Gross Profit to Gross Earned Premium	19 %	20 %	14 %	19 %
Gross loss ratio	74 %	67 %	96 %	70 %
Net loss ratio	80 %	70 %	98 %	71 %

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 approximately 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 June 30, 2021 and 2020

	Three Months Ended June 30,			
	2021	2020	Change	% Change
	($ in millions)			
Revenue				
Net earned premium	$ 16.3	$ 29.2	$ (12.9)	(44)%
Ceding commission income	10.6	0.4	10.2	2,550 %
Net investment income	0.2	0.2	—	— %
Commission and other income	1.1	0.1	1.0	1,000 %
Total revenue	28.2	29.9	(1.7)	(6)%
Expense				
Loss and loss adjustment expense, net	13.0	20.5	(7.5)	(37)%
Other insurance expense	5.2	4.0	1.2	30 %
Sales and marketing	33.1	16.1	17.0	106 %
Technology development	14.0	4.2	9.8	233 %
General and administrative	15.8	5.8	10.0	172 %
Total expense	81.1	50.6	30.5	60 %
Loss before income taxes	(52.9)	(20.7)	(32.2)	156 %
Income tax expense	2.7	0.3	2.4	800 %
Net loss	$ (55.6)	$ (21.0)	$ (34.6)	165 %

Net Earned Premium

Net earned premium decreased $12.9 million, or 44%, to $16.3 million for the three months ended June 30, 2021 compared to the three months ended June 30, 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 June 30,			
	2021	2020	Change	% Change
	($ in millions)			
Gross written premium	$ 89.5	$ 46.7	$ 42.8	92 %
Ceded written premium	(66.5)	(6.0)	(60.5)	1,008 %
Net written premium	$ 23.0	$ 40.7	$ (17.7)	(43)%

Gross written premium increased $42.8 million, or 92%, to $89.5 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase was primarily due to a 48% 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 June 30, 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 29% 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 $60.5 million, or 1,008%, to $66.5 million for the three months ended June 30, 2021 compared to the three months ended June 30, 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 $17.7 million, or 43%, to $23.0 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The decrease was primarily due to the $60.5 million, or 1,008%, increase in ceded written premium offset by the increase in gross written premium for the three months ended June 30, 2021, as compared to the three months ended June 30, 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 76% for the three months ended June 30, 2021, as compared to 17% for the three months ended June 30, 2020 primarily due to the new Proportional Reinsurance Contracts.

	Three Months Ended June 30,			
	2021	2020	Change	% Change
	($ in millions)			
Gross earned premium	$ 66.9	$ 35.3	$ 31.6	90 %
Ceded earned premium	(50.6)	(6.1)	(44.5)	730 %
Net earned premium	$ 16.3	$ 29.2	$ (12.9)	(44) %

Ceding Commission Income

Ceding commission income of $10.6 million was recognized for the three months ended June 30, 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 amounted to $0.2 million for the three months ended June 30, 2021 and three months ended June 30, 2020. We mainly invest in cash, money market funds, U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Government, and net investment income for the period is primarily driven by interest rates on investment balances.

Commission and Other Income

Commission and other income of $1.1 million was recognized for the six months ended June 30, 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 $7.5 million, or 37%, to $13.0 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The decrease was primarily driven by the change in reinsurance structure in which approximately 75% of loss and LAE is ceded to reinsurers.

Other Insurance Expense

Other insurance expense increased $1.2 million, or 30%, to $5.2 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase was primarily due to employee-related expense, including stock-based compensation, which increased by $0.7 million, or 70%, as compared to the three months ended June 30, 2020, driven by an increase in underwriting staff to support our continued growth. Credit card processing fees increased $0.6 million, or 60%, as a result of the increase in customers and associated premium. Professional fees and other increased $0.6 million, or 86%, primarily in support of growth and expansion initiatives for new products. These increases were offset by a $0.6 million, or 50%, decrease in amortization of deferred acquisitions costs, net of ceding commissions.

Sales and Marketing

Sales and marketing expense increased $17.0 million, or 106%, to $33.1 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. Expense related to brand and performance advertising, the largest component of our sales and marketing expenses, increased by $13.8 million, or 124%, for the three months ended June 30, 2021 as compared to the three months ended June 30, 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 $2.7 million, or 75%, 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 products and markets.

Technology Development

Technology development expense increased $9.8 million, or 233%, to $14.0 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. Employee-related expense, including stock-based compensation, and net of capitalized costs for the development of internal-use software, increased $9.3 million, or 258%, as compared to the three months ended June 30, 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 $0.5 million, or 125%.

General and Administrative

General and administrative expense increased $10.0 million, or 172%, to $15.8 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. Employee-related expense, including stock-based compensation, increased by $4.2 million, or 150%, as we increased finance, legal, business operations and administrative personnel. Insurance obtained for operating as a public company increased by $2.2 million, or 1,100%. Bad debt expense increased by $0.9 million, or 180%, and depreciation expense increased $0.5 million or 167%. Legal, accounting and other professional fees increased $0.5 million, or 45%, to support the compliance requirements necessary to operate as a public company. Software costs increased $0.5 million, or 250%.

Income Tax Expense

Income tax expense increased $2.4 million, or 800%, to $2.7 million for the three months ended June 30, 2021 compared to the three months ended June 30, 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 $34.6 million, or 165%, to $55.6 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 due to the factors described above.

Comparison of the Six Months Ended June 30, 2021 and 2020

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change	% Change
	($ in millions)			
Revenue				
Net earned premium	$ 30.1	$ 54.5	$ (24.4)	(45)%
Ceding commission income	19.6	0.4	19.2	4,800 %
Net investment income	0.4	1.1	(0.7)	(64)%
Commission and other income	1.6	0.1	1.5	1,500 %
Total revenue	51.7	56.1	(4.4)	(8)%
Expense				
Loss and loss adjustment expense, net	29.5	38.7	(9.2)	(24)%
Other insurance expense	10.0	7.3	2.7	37 %
Sales and marketing	62.2	35.3	26.9	76 %
Technology development	21.1	7.7	13.4	174 %
General and administrative	29.9	24.0	5.9	25 %
Total expense	152.7	113.0	39.7	35 %
Loss before income taxes	(101.0)	(56.9)	(44.1)	78 %
Income tax expense	3.6	0.6	3.0	500 %
Net loss	$ (104.6)	$ (57.5)	$ (47.1)	82 %

Net Earned Premium

Net earned premium decreased $24.4 million, or 45%, to $30.1 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to the earning of increased gross written premium, partially offset by the earning of increased ceded written premium under our Proportional Reinsurance Contracts as discussed in detail above under "Reinsurance".

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change	% Change
	($ in millions)			
Gross written premium	$ 165.3	$ 84.8	$ 80.5	95 %
Ceded written premium	(122.1)	(10.3)	(111.8)	1,085 %
Net written premium	$ 43.2	$ 74.5	$ (31.3)	(42)%

Gross written premium increased $80.5 million, or 95%, to $165.3 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The increase was primarily due to a 48% 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 June 30, 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 29% increase in premiums per customer year over year due to the continued shift in the mix of underlying products toward higher value policies.

Ceded written premium increased $111.8 million, or 1,085%, to $122.1 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. On July 1, 2020, we entered into Proportional Reinsurance Contracts where we cede 75% of our premiums to our reinsurers and covers all of our products and geographies. Under the new agreements, premium was ceded both on new policies written or renewed on and after July 1, 2020, as well as a portion of the unearned premium reserve.

Net written premium decreased $31.3 million, or 42%, to $43.2 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The decrease was primarily due to the $111.8 million, or 1,085%, increase in ceded written premiums offset by the increase in gross written premium for the six months ended June 30, 2021 as compared to the six months ended June 30, 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 76% for the six months ended June 30, 2021, as compared to 17% for the six months ended June 30, 2020 primarily due to the new Proportional Reinsurance Contracts.

	Six Months Ended June 30,			
	2021	2020	Change	% Change
	($ in millions)			
Gross earned premium	$ 123.1	$ 65.8	$ 57.3	87 %
Ceded earned premium	(93.0)	(11.3)	$ (81.7)	723 %
Net earned premium	$ 30.1	$ 54.5	$ (24.4)	(45) %

Ceding Commission Income

Ceding commission income of $19.6 million was recognized for the six months ended June 30, 2021 based on earned premium ceded related to the quota-share reinsurance agreements to third-party reinsurers during the period.

Net Investment Income

Net investment income decreased $0.7 million, or 64%, to $0.4 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This decrease was primarily driven by lower interest rates on investment balances due to federal fund rate cuts since the prior year 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 $1.6 million was recognized for the six months ended June 30, 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 $9.2 million, or 24%, to $29.5 million for the six months ended June 30, 2021 compared to the six months ended June 30, 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 $6.2 million relating to Winter Storm Uri that affected our customers in the states of Texas and Oklahoma.

Other Insurance Expense

Other insurance expense increased $2.7 million, or 37%, to $10.0 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The increase was primarily due to a $1.1 million, or 58%, increase in credit card processing fees as a result of the increase in customers and associated premiums. Employee-related expense, including stock-based compensation, increased by $1.6 million, or 89%, as compared to the six months ended months ended June 30, 2020, driven by an increase in underwriting staff to support our continued growth. Professional fees and other increased $1.1 million, or 73%, primarily in support of growth and expansion initiatives. These increases were offset by $1.0 million, or 50%, decrease in amortization of deferred acquisition costs, net of ceded commissions.

Sales and Marketing

Sales and marketing expense increased $26.9 million, or 76%, to $62.2 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Expense related to brand and performance advertising, the largest component of our sales and marketing expenses, increased by $20.5 million, or 80%, for the six months ended June 30, 2021 as compared to the six months ended June 30, 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 $5.8 million, or 85%, 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 products and markets.

Technology Development

Technology development expense increased $13.4 million, or 174%, to $21.1 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Employee-related expense, including stock-based compensation, net of capitalized costs for the development of internal-use software, increased $12.6 million, or 200%, as compared to the six months ended June 30, 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 $0.9 million, or 129%.

General and Administrative

General and administrative expense increased $5.9 million, or 25%, to $29.9 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. After taking into account the impact of the $12.2 million non-cash expense recognized during the six months ended June 30, 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 $18.1 million, or 75%, during the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Employee-related expense, including stock-based compensation, increased by $8.8 million, or 157%, as we increased finance, legal, business operations and administrative personnel. Insurance obtained for operating as a public company increased by $4.5 million, or 1,500%. Bad debt expense increased by $1.4 million, or 156%, and depreciation expense increased by $1.1 million, or 183%. Software costs increased by $0.7 million,or 175%.

Income Tax Expense

Income tax expense increased $3.0 million, or 500%, to $3.6 million for the six months ended June 30, 2021 compared to the six months ended June 30, 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 $47.1 million, or 82%, to $104.6 million for the six months ended June 30, 2021 compared to the six months ended June 30, 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	($ in millions)			
Total revenue	$ 28.2	$ 29.9	$ 51.7	$ 56.1
Adjustments:				
Loss and loss adjustment expense, net	$ (13.0)	$ (20.5)	$ (29.5)	$ (38.7)
Other insurance expense	(5.2)	(4.0)	(10.0)	(7.3)
Depreciation and amortization	(0.2)	—	(0.5)	(0.1)
Gross profit	$ 9.8	$ 5.4	$ 11.7	$ 10.0
Gross profit margin (% of total revenue)	35 %	18 %	23 %	18 %
Adjustments:				
Net investment income	$ (0.2)	$ (0.2)	$ (0.4)	$ (1.1)
Employee-related expense	1.7	0.9	3.4	1.8
Professional fees and other	1.3	0.9	2.6	1.6
Depreciation and amortization	0.2	—	0.5	0.1
Adjusted gross profit	$ 12.8	$ 7.0	$ 17.8	$ 12.4
Adjusted gross profit margin (% of total revenue)	45 %	23 %	34 %	22 %

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	($ in millions)			
Numerator: Adjusted gross profit	$ 12.8	$ 7.0	$ 17.8	$ 12.4
Denominator: Gross earned premium	$ 66.9	$ 35.3	$ 123.1	$ 65.8
Ratio of Adjusted Gross Profit to Gross Earned Premium	19 %	20 %	14 %	19 %

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	($ in millions)			
Net loss	$ (55.6)	$ (21.0)	$ (104.6)	$ (57.5)
Adjustments:				
Income tax expense	$ 2.7	$ 0.3	$ 3.6	$ 0.6
Depreciation and amortization	0.8	0.4	1.7	0.7
Stock-based compensation	11.9	2.4	18.0	4.6
Contribution to the Lemonade Foundation	—	—	—	12.2
Interest income	—	(0.1)	—	(0.1)
Net investment income	(0.2)	(0.2)	(0.4)	(1.1)
Adjusted EBITDA	$ (40.4)	$ (18.2)	$ (81.7)	$ (40.6)

Liquidity and Capital Resources

As of June 30, 2021, we had $1,092.4 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 June 30, 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 June 30, 2021, cash and short-term investments held by these companies was $168.7 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 June 30, 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:

	Six Months Ended June 30,	
	2021	2020
	($ in millions)	
Net cash used in operating activities	$ (56.5)	$ (35.3)
Net cash (used in) provided by investing activities	$ (69.3)	$ 22.5
Net cash provided by financing activities	$ 648.1	$ 1.4

Operating Activities

Cash used in operating activities was $56.5 million for the six months ended June 30, 2021, an increase of $21.2 million from $35.3 million for the six months ended June 30, 2020. This reflected the $47.1 million increase in our net loss, primarily offset by increases in unearned premium, unpaid loss and loss adjustment expense and funds held under reinsurance treaties, that exceeded the increases in premiums receivable, prepaid reinsurance premium and amounts expected to be recovered from our reinsurance partners. The increase in cash used in operating activities from six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to claim payments and settlements with our reinsurance partners.

Cash used in operating activities was $35.3 million for six months ended June 30, 2020. This resulted from our net loss of $57.5 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 $69.3 million for the six months ended June 30, 2021 primarily due to purchases of U.S. government obligations and purchases in property and equipment during the period.

Cash provided by investing activities was $22.5 million for the six months ended June 30, 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 $648.1 million for the six months ended June 30, 2021 primarily due to proceeds received from our Follow-on Offering as discussed above and proceeds from stock exercises.

Cash provided by financing activities was $1.4 million for the six months ended June 30, 2020 primarily due to proceeds received from the exercise of stock awards.

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 $1,163.9 million in cash and investment securities available at June 30, 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 prior to the Company's IPO, 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 six months ended June 30, 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 June 30, 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 June 30, 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 co-principal executive officers 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 co-principal executive officers and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 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 June 30, 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, except for the risk below related to certain of our operations in Israel.

We conduct certain of our operations in Israel and therefore our results may be adversely affected by political, economic and military instability in Israel and the region.

We maintain offices in Israel and some of our officers, employees and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our Israeli operations. In recent years, Israel has been involved in sporadic armed conflicts with Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of Southern Lebanon, and with Iranian-backed military forces in Syria. Some of these hostilities were accompanied by missile strikes from the Gaza Strip against civilian targets in various parts of Israel, including areas in which our officers, employees and directors are located, and negatively affected conditions in Israel. The tension between Israel and Iran and/or these groups may escalate in the future and turn even more violent, which could materially adversely affect conditions in Israel in general and our operations in particular.

Furthermore, many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be military reserve duty call-ups in the future. Our operations could be disrupted by such call-ups, which may include the call-up of our officers and employees. Such disruption could materially adversely affect our business, prospects, financial condition and results of operations.

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.

As previously disclosed in a Current Report on Form 8-K filed on July 23, 2021, the Company appointed Adina Eckstein as Chief Operating Officer on July 21, 2021. On August 5, 2021, the Company and Ms. Eckstein entered into a severance agreement, pursuant to which Ms. Eckstein's employment with the Company is at-will. The severance agreement provides that, upon Ms. Eckstein's termination of employment by the Company without cause, subject to Ms. Eckstein's execution and non-revocation of a release of claims, Ms. Eckstein will be entitled to receive, in addition to any accrued amounts, (i) her annual base salary for a period of six months, (ii) fifty percent of her target annual bonus for the year in which such termination occurs, (iii) continuation of benefits consisting of six months of company contributions to her pension insurance, six months of company contributions to her education fund, and a company-paid car for six months and (iv) the acceleration of six months of vesting of any outstanding equity awards. If Ms. Eckstein's employment is terminated in the period starting three months prior to a change in control and ending on the first anniversary of such change in control, Ms. Eckstein will instead be entitled to receive, in addition to any accrued amounts, (i) her annual base salary for a period of twelve months, (ii) one hundred percent of her target annual bonus for the year in which such termination occurs, (iii) continuation of benefits consisting of twelve months of company contributions to her pension insurance, twelve months of company contributions to her education fund, and a company-paid car for six months and (iv) full acceleration of vesting of any outstanding equity awards. On August 5, 2021, the Company and Ms. Eckstein also entered into a standard indemnification agreement for directors and officers.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			
		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*	Severance Agreement by and between Adina Eckstein and Lemonade, Inc., dated August 5, 2021				
10.2*	Form of Restricted Stock Unit Agreement under the 2020 Incentive Award Plan (Israel)				
10.3*†	Amendment to the Whole Account Quota Share Reinsurance Contract issued to Lemonade Insurance Company and Lemonade Insurance N.V. by the Subscribing Reinsurer Hannover Ruck SE, dated April 4, 2020				
10.4*†	Amendment to the Whole Account Quota Share Reinsurance Contract issued to Lemonade Insurance Company and Lemonade Insurance N.V. by the Subscribing Reinsurer Tokio Marine & Nichido Fire Insurance Co. Ltd., dated May 12, 2020				
10.5*†	Amendment to the Whole Account Quota Share Reinsurance Contract issued to Lemonade Insurance Company and Lemonade Insurance N.V. by the Subscribing Reinsurer Mapfre Re (Spain), dated May 12, 2020				
31.1*	Certification of Co-Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).				
31.2*	Certification of Co-Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).				
31.3*	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).				
32.1**	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350.				
32.2**	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350.				
32.3**	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.
† Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10)(iv).

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:	August 11, 2021	By:	/s/ Daniel Schreiber
			Daniel Schreiber
			Co-Chief Executive Officer
Date:	August 11, 2021	By:	/s/ Shai Wininger
			Shai Wininger
			Co-Chief Executive Officer
Date:	August 11, 2021	By:	/s/ Tim Bixby
			Tim Bixby
			Chief Financial Officer

Severance Agreement

THIS SEVERANCE AGREEMENT (the "*Severance Agreement*") is entered into as of the Effective Date (as defined below) between Lemonade, Inc. (together with any Affiliate that may employ you from time to time, the "*Company*") and Adina Eckstein ("*Executive*" or "*you*").

1. Definitions. The following capitalized terms used herein shall have the following meanings:

(a) "*Affiliate*" means (a) any Subsidiary; and (b) any domestic eligible entity that is disregarded, under Treasury Regulation Section 301.7701-3, as an entity separate from either (i) the Company or (ii) any Subsidiary.

(b) "*Annual Bonus*" means the annual variable cash compensation you are eligible to receive as determined from time to time by the Company, whether acting through the Company's Board of Directors (the "*Board*"), a committee thereof or otherwise, based on the achievement of certain Company and/or individual performance objectives.

(c) *"Base Pay*" means your annual base compensation, as determined from time to time by the Company, whether acting through the Board, a committee thereof or otherwise, regardless of whether all or any portion thereof may be deferred under any deferred compensation plan or program of the Company.

(d) "*Cause*" means "Cause" (or any term of similar effect) as defined in your employment agreement with the Company or any Affiliate if such an agreement exists and contains a definition of Cause (or term of similar effect), or, if no such agreement exists or such agreement does not contain a definition of Cause (or term of similar effect), then Cause shall include, but not be limited to: (i) your unauthorized use or disclosure of confidential information or trade secrets of the Company or any Affiliate or any material breach of a written agreement between the Holder and the Company or any Affiliate, including without limitation a material breach of any employment, confidentiality, non-compete, non-solicit or similar agreement; (ii) any refusal to carry out a reasonable directive of the chief executive officer, the Board or your direct supervisor, which involves the business of the Company and/or its Affiliates and was capable of being lawfully performed; (iii) dismissal under the circumstances defined in Section 16 and/or Section 17 of the Israeli Severance Pay Law, 1963; (iv) embezzlement of funds of the Company and/or its Affiliates; your commission of, indictment for or your entry of a plea of guilty or *nolo contendere* to, a felony under the laws of the United States or any state thereof or any crime involving dishonesty or moral turpitude (or any similar crime in any jurisdiction outside the United States); (v) your gross negligence or willful misconduct or your willful or repeated failure or refusal to substantially perform assigned duties;; or (vi) any acts, omissions or statements by you which the Company reasonably determines to be materially detrimental or damaging to the reputation, operations, prospects or business relations of the Company or any Affiliate.

(e) "*Change in Control*" shall have the meaning set forth in the Incentive Award Plan. Notwithstanding the foregoing, if a Change in Control constitutes a payment or benefit event with respect to any payment or benefit hereunder that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, such transaction or event will not be deemed a Change in Control unless the transaction qualifies as a "change in control event" within the meaning of Section 409A.

(f) "*Change in Control Protection Period*" means the period beginning on the date three months prior to the consummation of the Change in Control and ending on the first anniversary of such Change in Control.

(g) "*Code*" means the Internal Revenue Code of 1986, as amended.

(h) "*Date of Termination*" means the date of termination of your employment for any reason.

(i) *"Disability"* means "Disability" (or any term of similar effect) as defined in your employment agreement with the Company or any Affiliate if such an agreement exists and contains a definition of Disability (or term of similar effect), or, if no such agreement exists or such agreement does not contain a definition of Disability (or term of similar effect), then Disability means an illness (mental or physical) or incapacity, which results in you being unable to perform your duties as an employee of the Company for a period of one hundred eighty (180) days, whether or not consecutive, in any twelve (12) month period.

(j) "*Equity Awards*" means all stock options, restricted stock units, performance stock units and such other equity-based awards granted pursuant to the Incentive Award Plan. For the avoidance of doubt, "Equity Awards" shall not include any cash or cash-based awards granted pursuant to the Incentive Award Plan.

(k) "*Incentive Award Plan*" means Lemonade, Inc. 2020 Incentive Award Plan (or any successor equity incentive plan of the Company).

(l) "*Lemonade Entities*" means Lemonade, Inc. and its direct and indirect Subsidiaries.

(m) "*Subsidiary*" shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain

2. Term of Agreement. The term of this Agreement will commence as of the closing of the Company's initial public offering of stock pursuant to an effective registration statement filed under the Securities Act of 1933, as amended (the "*Effective Date*") and shall continue in effect until your Date of Termination.

3. Termination and Eligibility for Severance.

(a) Accrued Benefits. Upon any termination of your employment, you will be paid (i) any and all earned and unpaid portion of your Base Pay through the Date of Termination; (ii) any accrued but unused vacation pay owed to you in accordance with Company practices up to and including the Date of Termination; and (iii) any allowable and unreimbursed business expenses incurred through the Date of Termination that are supported by appropriate documentation in accordance with the Company's applicable expense reimbursement policies. Hereafter, items (i) through (iii) in this Section 3 are referred to as "*Accrued Benefits*." If termination of your employment is for any reason other than by the Company without Cause (other than due to death or Disability), you will be entitled to receive only the Accrued Benefits.

(b) Severance Payments and Benefits. Subject to Sections 3(c), 5 and 6 of the Agreement:

(i) *Non-CIC Severance Payments and Benefits*. If the Company terminates your employment without Cause (other than as a result of your death or Disability), in each case, outside of the Change in Control Protection Period, then, in addition to the Accrued Benefits, the Company will provide you the following severance and related post-termination benefits (the "*Non-CIC Severance Payments and Benefits*"):

(1) The Company shall, during the period beginning on the Date of Termination and ending on the six (6)-month anniversary of the Date of Termination, pay to you an amount equal to the sum of six (6) months of your Base Pay as in effect immediately prior to the Date of Termination and fifty percent (50%) of your target Annual Bonus for the calendar year in which the Date of Termination occurs (collectively, the "*Non-CIC Severance Payment*");

(2) The Company shall pay you an amount equal to the aggregate sum of the Company's share of medical, dental and vision insurance premiums for you and your dependents for the period commencing on the Date of Termination and ending on the sixth month anniversary thereof (as if you had remained employed and based on coverage as of immediately prior to termination). For the avoidance of doubt, if immediately prior to the termination of your employment you were required to contribute towards the cost of premiums as a condition of receiving such insurance, the payment hereunder will not cover any such contributions. The cash payment provided for in this Section 3(b)(i)(2) or Section 3(b)(ii)(2), as applicable, is referred to herein as the "*Continued Benefit Payment*");

(3) Unless otherwise explicitly set forth in the award agreement for the applicable Equity Award, each outstanding unvested Equity Award held by you immediately prior to the Date of Termination that is subject to vesting based solely upon your continuous service with the Company that would have vested during the six (6)-month period following the Date of Termination had you remained employed shall remain outstanding and shall automatically vest and become exercisable (as applicable) on the Severance Commencement Date; provided that the Release Agreement has become effective and irrevocable as of such date (the "*Non-CIC Equity Benefit*"); provided, further, that if the Release Agreement has not become effective and irrevocable as of such date, such Equity Awards shall automatically be forfeited for no consideration on such date, and

(4) Subject to the provisions of Sections 3(c) and 6, the Non-CIC Severance Payment and Continued Benefit Payment shall be paid in equal installments during the six (6)-month period following the Date of Termination in accordance with the Company's normal payroll practices beginning on the first payroll date following the 60th day following the Date of Termination (such payroll date, the "*Severance Commencement Date*"), and with the first installment including any amounts that would have been paid had the Release Agreement been effective and irrevocable on the Date of Termination.

(ii) *CIC Severance Payments and Benefits*. If the Company terminates your employment without Cause (other than as a result of your death or Disability), in each case, during the Change in Control Protection Period, then, in addition to the Accrued Benefits (and, for the avoidance of doubt, in lieu of the Non-CIC Severance Payments and Benefits), the Company will provide you the following severance and related post-termination benefits (the "*CIC Severance Payments and Benefits*"):

(1) The Company shall pay you an amount equal to the sum of twelve (12) months of your Base Pay as in effect immediately prior to the Date of Termination and your target Annual Bonus for the calendar year in which the Date of Termination occurs, (collectively, the "*CIC Severance Payment*");

(2) The Company shall pay you an amount equal to the aggregate sum of the Company's share of medical, dental and vision insurance premiums for you and your dependents for the period commencing on the Date of Termination and ending on the first anniversary thereof (as if you had remained employed and based on coverage as of immediately prior to termination). For the avoidance of doubt, if immediately prior to the termination of your employment you were required to contribute towards the cost of premiums as a condition of receiving such insurance, the payment hereunder will not cover any such contributions; and

(3) Unless otherwise explicitly set forth in the award agreement for the applicable Equity Award, any unvested Equity Awards outstanding immediately prior to the Date of Termination shall automatically become fully vested and exercisable (as applicable) on the Severance Commencement Date; provided that the Release Agreement has become effective and irrevocable as of such date (the "*CIC Equity Benefit*"); provided, further, that if the Release Agreement has not become effective and irrevocable as of such date, such Equity Awards shall automatically be forfeited for no consideration on such date.

(4) Subject to the provisions of Sections 3(c) and 6, the CIC Severance Payment and the Continued Benefit Payments shall be paid in equal installments during the twelve (12)-month period following the Date of Termination in accordance with the Company's normal payroll practices beginning on Severance Commencement Date, and with the first installment including any amounts that would have been paid had the Release Agreement been effective and irrevocable on the Date of Termination shall be made in a lump sum on the Severance Commencement Date.

(c) Release. Any amounts payable pursuant to Section 3(b)(i) or Section 3(b)(ii), as applicable (collectively, the "*Severance Benefits*"), shall be in lieu of notice or any other severance benefits to which you might otherwise be entitled from any Lemonade Entity. Notwithstanding anything to the contrary herein, the Company's provision of the Severance Benefits will be contingent upon your timely execution and non-revocation of a general waiver and release of claims agreement in a form to be provided by the Company (a "*Release Agreement*"), subject to the terms set forth herein. You will have twenty-one (21) days (or, in the event that your termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967, as amended), forty-five (45) days) following your receipt of the Release Agreement to consider whether or not to accept it. If the Release Agreement is signed and delivered by you to the Company, you will have seven (7) days from the date of delivery to revoke your acceptance of such agreement (the "*Revocation Period*"). If you do not timely execute or if you subsequently revoke the Release Agreement, you shall be required to pay to the Company, immediately upon demand therefor, the amount of any payments or benefits you received in connection with any portion of Equity Awards that was eligible to vest pursuant to Section 3(b) (including, without limitation, proceeds received or realized by you from the sale or surrender of any shares underlying such Equity Awards in connection with applicable tax withholding).

(d) The provisions of this Section 3 shall supersede in their entirety any severance payment provisions in any employment agreement, severance plan, severance policy, severance program or other severance arrangement maintained by the Company. The Company shall have no further obligation to you in the event of termination of your employment for any reason at any time, other than those obligations specifically set forth in this Section 3.

4. Mitigation. You shall not be required to mitigate the amount of any payment or benefit provided for in Section 3 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in Section 3 be reduced by any compensation earned by you as the result of employment by another employer or by retirement benefits after the Date of Termination or otherwise, subject to Section 5; provided, however, that any loans, advances or other amounts owed by you to the Company may be offset by the Company and its affiliates against amounts payable to you under Section 3 to the greatest extent permitted by applicable law.

5. Restrictive Covenants and Other Conditions. You acknowledge and agree that you are a party to that certain Proprietary Information, Assignment of Inventions Non Disclosure and Non Compete Agreement, dated as of September 25, 2019, and such agreement remains in full force and effect (the "*Restrictive Covenant Agreement*"). In the event of (a) your material breach of the Restrictive Covenant Areement, (b) your engagement in any act or omission after the Date of Termination that would have constituted "Cause" under subsection (i) of the definition thereof (without regard for any cure periods therein) for termination of your employment had you remained employed after the Date of Termination, or (c) the Company's determination in good faith that facts or circumstances existed on the Date of Termination that, if known by the Company on the Date of Termination, would have constituted Cause, the Company shall be entitled to cease all payments and benefits pursuant to Section 3(b), all Equity Awards that vested pursuant to Section 3(b) and any shares of Company stock you received with respect thereto shall immediately be forfeited, without payment therefor, and you shall be required to pay to the Company, immediately upon demand therefor, the amount of any proceeds realized by you from the sale of any such shares.

6. Section 409A Tax Implications. Any payments or benefits required to be provided under this Agreement that is subject to Section 409A of the Code shall be provided only after the date of your "separation from service" with the Company as defined under Section 409A of the Code and the regulations and guidance issued thereunder (collectively, "*Section 409A*"). The following rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to you under this Agreement:

(a) To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A. Each installment of the payments and benefits provided hereunder shall be treated as a separate "payment" for purposes of Section 409A. If and to the extent (i) any portion of any payment, compensation or other benefit provided to you pursuant to this Agreement in connection with your termination of employment constitutes "nonqualified deferred compensation" within the meaning of Section 409A and (ii) you are a specified employee as defined in Section

409A(a)(2)(B)(i) of the Code, in each case as determined by the Company in accordance with its procedures, by which determinations you agree that you are bound, such portion of the payment, compensation or other benefit shall not be paid until the first business day that is six (6) months plus one (1) day or more after the date of "separation from service" (as determined under Section 409A) (the "*New Payment Date*"), except such earlier date as Section 409A may then permit. The aggregate of any payments that otherwise would have been paid to you during the period between the date of separation from service and the New Payment Date shall be paid to you in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

(b) The Company and its employees, agents and representatives make no representations or warranty and shall have no liability to you or any other person if any provisions of or payments, compensation or other benefits under this Agreement are determined to constitute nonqualified deferred compensation subject to Section 409A but do not satisfy the conditions of that section. Notwithstanding any provision of this Agreement to the contrary, in the event that following the Effective Date the Board determines that this Agreement may be subject to Section 409A, the Board may (but is not obligated to), without your consent, adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (i) exempt this Agreement from Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to this Agreement or (ii) comply with the requirements of Section 409A and thereby avoid the application of any penalty taxes under Section 409A.

7. Section 280G. If any payment or benefit you would receive or retain under this Severance Agreement, when combined with any other payment or benefit you receive or retain in connection with a "change in control event" within the meaning of Section 280G of the Code and the regulations and guidance thereunder ("*Section 280G*"), would (a) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (b) but for this Section 7, be subject to the excise tax imposed by Section 4999 of the Code (the "*Excise Tax*"), then such Payment shall be either payable in full or in such lesser amount as would result in no portion of the Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local employment taxes, income taxes, and the Excise Tax, results in your receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. All determinations required to be made under this Section 7, including whether and to what extent the Payment shall be reduced and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm or consulting firm experience in matters regarding Section 280G of the Code as may be designated by the Company (the "*280G Advisor*"). The 280G Advisor shall provide detailed supporting calculations both to you and the Company at such time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any final determination by the 280G Advisor shall be binding upon you and the Company. For purposes of making the calculations required by this Section 7, the 280G Advisor may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good-faith interpretations concerning the application of Sections 280G and 4999 of the Code.

8. Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges that the Company is

required to withhold. The Company shall be entitled to rely on an opinion or advice of counsel if any questions as to the amount or requirement of withholding arise.

9. Miscellaneous.

(a) This Agreement, together with any written employment agreement or offer letter to which you may be a party and any agreements referenced herein, will constitute our entire agreement as to your employment by the Company and will supersede any prior agreements or understandings, whether in writing or oral, with respect to the subject matter hereof, other than with respect to any agreements between you and the Company with respect to confidential information, intellectual property, non-competition, non-solicitation, non-disparagement, nondisclosure of proprietary information, inventions and injunctive relief, including, without limitation, the Restrictive Covenant Agreement); provided that Section 9(f) supersedes and replaces any prior dispute resolution provisions in any other prior agreement between you and the Company (including, without limitation, the Restrictive Covenant Agreement).

(b) This Agreement may be executed in more than one counterpart, each of which shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

(c) The provisions of this Agreement are severable and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions of this Agreement shall nevertheless be binding and enforceable and except to the extent necessary to reform or delete such illegal or unenforceable provision, this Agreement shall remain unmodified and in full force and effect.

(d) This Agreement is personal in nature and neither of the parties hereto shall, without the written consent of the other, assign or otherwise transfer this Agreement or its obligations, duties and rights under this Agreement; provided, however, that in the event of the merger, consolidation, transfer or sale of all or substantially all of the assets of the Company, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all of the promises, covenants, duties and obligations of the Company hereunder.

(e) All notices shall be in writing and shall be delivered personally (including by courier), sent by facsimile transmission (with appropriate documented receipt thereof), by overnight receipted courier service (such as UPS or Federal Express) or sent by certified, registered or express mail, postage prepaid, to the Company at the following address: Lemonade, Inc., 5 Crosby Street, 3rd Floor, Attn: Head of Legal, and to you at the most current address we have in your employment file. Any such notice shall be deemed given when so delivered personally, or if sent by facsimile transmission, when transmitted, or, if by certified, registered or express mail, postage prepaid mailed, forty-eight (48) hours after the date of deposit in the mail. Any party may, by notice given in accordance with this paragraph to the other party, designate another address or person for receipt of notices hereunder.

(f) *Disputes.* The parties will keep confidential, and will not disclose to any person, except as may be required by law or the rules and regulations of the Securities and Exchange

Commission or other government agencies, the existence of any controversy hereunder or the status or court resolution thereof.

(g) This Agreement shall be governed by and interpreted in accordance with the laws of the State of Israel, without regard to the conflict of laws provisions thereof or of any other jurisdiction. Any dispute arising under or relating to this Agreement shall be resolved by the competent courts in Tel Aviv, and each of the parties hereby submits irrevocably to the exclusive jurisdiction of such venue

10. Acceptance. You may accept the terms and conditions described herein by confirming your acceptance in writing. Please send your countersignature to this Agreement to the Company, or via e-mail to me, which execution will evidence your agreement with the terms and conditions set forth herein.

IN WITNESS WHEREOF, each of the parties has executed this Severance Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

EXECUTIVE:

/s/ Adina Eckstein
Name: Adina Eckstein
Title: Chief Operating Officer

COMPANY:

By: /s/ Daniel Schreiber
Name: Daniel Schreiber
Title: Chief Executive Officer

LEMONADE, INC.
2020 INCENTIVE AWARD PLAN

RESTRICTED STOCK UNIT AWARD GRANT NOTICE AND
RESTRICTED STOCK UNIT AGREEMENT

Lemonade, Inc., a Delaware corporation (the "Company"), pursuant to its 2020 Incentive Award Plan, as amended from time to time (the "Plan"), hereby grants to the holder listed below ("Participant") the number of Restricted Stock Units set forth below (the "RSUs"). The RSUs are subject to the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the "Grant Notice"), the Restricted Stock Unit Agreement attached hereto as Exhibit A including any Appendix thereto (the "Agreement"), the Plan, and the Appendix for Israeli Taxpayers, as adopted by the Company and amended from time to time (the "IL Appendix"), each of which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in the Grant Notice and the Agreement. All references to the Plan under this Grant Notice, shall refer to the IL Appendix as well, and the term "Plan" shall include the IL Appendix.

Participant:	
Grant Date:	
Number of RSUs:	
Type of Shares Issuable:	Common Stock
Vesting Schedule:	

*** *The Award granted under this Grant Notice and the Agreement attached hereto shall be deemed as a 102 Capital Gains Track Grant, as set forth in the IL Appendix, and shall be subject to Section 102 of the ITO and any regulations, rules or orders promulgated thereunder all as amended from time to time.***

By accepting this Award electronically through the Plan service provider's online grant acceptance policy, 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 Agreement, the Plan 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 Grant Notice, the Agreement, and the Plan. 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 Grant Notice or the Agreement.

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

EXHIBIT A
TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE

RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

ARTICLE I.

GENERAL

Section I.1 Defined Terms. 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,

(a) "Cessation Date" shall mean the date of Participant's Termination of Service (regardless of the reason for such termination).

(b) "Company Group" shall mean the Company and its Affiliates.

(c) "Company Group Member" shall mean each member of the Company Group.

(d) "Disability" 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.

(e) "Participating Company" shall mean the Company or any of its parents or Subsidiaries.

Section I.2 Incorporation of Terms of Plan. Except where this Agreement explicitly states that this Agreement prevails over the Plan, the RSUs and the shares of Common Stock issued to Participant hereunder ("Shares") are subject to the terms and conditions set forth in this Agreement, the Plan and the IL Appendix, 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. All references to the Plan under this Agreement, shall refer to the IL Appendix as well, and the term "Plan" shall include the IL Appendix.

ARTICLE II.

AWARD OF RESTRICTED STOCK UNITS

Section II.1 Award of RSUs

(a) In consideration of Participant's past and/or continued employment with or service to a Participating Company and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company hereby grants to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustment as provided in Section 12.2 of the Plan. The Trustee will hold the RSUs or the Shares to be issued upon vesting of the RSUs for the benefit of the Participant as set forth below.

(b) Each RSU represents the right to receive one Share at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

Section II.2 Vesting of RSUs.

(a) Subject to Participant's continued employment with or service to a Participating Company on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in such amounts and at such times as are set forth in the Grant Notice.

(b) In the event Participant incurs a Termination of Service, except as may be otherwise provided herein or by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs granted under this Agreement that have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs that are not so vested shall lapse and expire.

(c) Notwithstanding the Grant Notice or the provisions of Section 2.2(a) and Section 2.2(b), in the event Participant incurs a Termination of Service for Cause or, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs granted under this Agreement (whether or not vested), and Participant's rights in any such RSUs shall lapse and expire.

Section II.3

(a) Distribution or Payment of RSUs. Participant's RSUs shall be distributed in Shares (either in book-entry form or otherwise) which will be registered in the name of the Trustee, and will be deposited in the Trustee's account (for the benefit of the Participant) as soon as administratively possible following each applicable vesting date and, in any event, no later than March 15th of the calendar year following the year in which the applicable vesting date occurs. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate federal securities laws or any other Applicable Law, provided that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation.

(b) All distributions shall be made by the Company in the form of whole Shares, and any fractional share shall be distributed in cash in an amount equal to the value of such fractional share determined based on the Fair Market Value as of the date immediately preceding the date of such distribution.

(c) Additional Requirements. In order for the Company to distribute Shares upon the vesting of Participant's RSUs, Participant hereby agrees to sign any and all documents required by any applicable law (including Section 102) and/or reasonably required by the Administrator and/or the Trustee. 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.

Section II.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares or to cause any Shares to be held in book-entry form prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, and (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable.

Section II.5 Tax. Notwithstanding any other provision of this Agreement:

(a) As set forth in Section 10.2 of the Plan, the Company and or the Trustee shall have the authority and the right to deduct or withhold, or to require the Participant to remit to the Company, an amount sufficient to satisfy all applicable federal, state and local taxes required by law to be withheld with respect to any taxable event arising in connection with the Restricted Stock Units. In the event that the Company and/or the Trustee determine that it is required to withhold any tax with respect to the disposition of the Participant's Shares pursuant to the vesting of RSUs, the Participant undertakes to make all arrangements satisfactory to the Company, any Participating Company and/or the Trustee to enable it to satisfy all withholding requirements, including , but not limited, to (i) deducting the amount so required to be withheld from any other amount then or thereafter payable to Participant, including by deducting any such amount from Participant's salary or other amounts payable to the Participant, to the maximum extent permitted under law and/or (ii) requiring Participant to pay to the Company or any Participating Company the amount so required to be withheld as a condition of the issuance, delivery, distribution or release of any Shares and/or (iii) by causing the sale of any Shares held by or on behalf of Participant to cover such liability up to the amount required to satisfy minimum statutory withholding requirements. .

(b) In general, taxable income that should be attributed to the Participant as a result of the grant of the RSUs will be tax-free on the date of grant, but will be taxed on the sale of Shares issued upon the vesting of the RSUs or transfer of Shares from the Trustee to the Participant. Upon a sale of Shares, the Trustee will calculate the taxable amount for such transaction and will withhold the applicable tax from the proceeds it receives. The remaining net proceeds after the tax deduction will be wired to the Participant's personal account.

(c) The Participant will not be entitled to receive the Shares from the Company and the Shares shall not be sold or released from the control of the Trustee prior to the full payments of the Participant's tax liabilities relating to the RSUs and the Shares.

(d) Any tax consequences arising from the grant or distribution of the RSUs, from the payment for Shares covered thereby or from any other event or act (of the Company and/or its Affiliates, or the Trustee or the Participant), hereunder, shall be borne solely be Participant. Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Trustee, the Company or any other Participating Company takes with respect to any tax withholding obligations that arise in connection with the RSUs. No Participating Company makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Participating Companies do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

(e) As above mentioned, the receipt of the RSUs and the acquisition of the Shares to be issued upon the vesting of the RSUs may result in tax consequences. PARTICIPANT IS ADVISED TO CONSULT A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING THE RSUS OR DISPOSING OF THE SHARES.

Section II.6 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 deliverable hereunder 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). Only after the Trustee shall release the Shares, in accordance with the terms of the Plan and this Agreement, and such Shares will be registered under the name of the Participant, 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.

Section II.7 Limitations and Conditions Relating to 102 Capital Gains Track Grant.

(a) The Participant understands and agrees that this RSU Award is granted to him or her in his or her capacity as an Eligible 102 Participant and therefore, is intended to qualify as a 102 Capital Gains Track Award (as such terms are defined in the IL Appendix).

(b) By accepting this RSU Award electronically through the Plan service provider's online grant acceptance policy, Participant hereby: (i) acknowledges and confirms that he or she is familiar with the provisions of Section 102 and the regulations and rules promulgated thereunder, including without limitations, with respect to the RSUs granted hereunder, their holding by the Trustee in trust for the benefit of the Participant and the tax implications applicable to such grant; and (ii) accepts the RSU Award subject to all of the terms and conditions of the Agreement, the Plan and the IL Appendix.

(c) The RSUs granted to the Participant herein shall be paid in Shares only. In no event shall any of such RSUs be paid in cash, notwithstanding any discretion contained in the Plan, or any provision in the Agreement to the contrary.

(d) The Participant hereby 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.

(e) The RSU Award shall be deposited with the Trustee for the Participant's benefit in accordance with the terms of the Plan and the IL Appendix. The Shares resulting from the vesting of such RSU Award shall also be held by the Trustee in its trust account for at least the Required Holding Period.

(f) In order for the grant of this RSU Award to be considered as a 102 Capital Gains Track Grant the Participant must not sell or release from trust any Share received upon the vesting of an RSU and/or any Share received subsequently following any realization of rights until the lapse of the

Required Holding Period. Notwithstanding the above, if any such sale or release occurs during the Required Holding Period, the sanctions and any other adverse tax consequences under Section 102 and under any rules or regulation or orders or procedures promulgated thereunder, shall apply to and shall be borne by the Participant.

(g) In the event that bonus Shares or dividends in the form of additional RSUs or Shares are issued with respect to the Shares held with the Trustee, or as a result of an adjustment made pursuant to the Plan, such RSUs or Shares shall be deposited or controlled by the Trustee, as the case may be, for the benefit of the Participant and the provisions of Section 102 of the ITO shall apply to such RSUs or Shares for all purposes.

ARTICLE III.

OTHER PROVISIONS

Section III.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, 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.

Section III.2 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 RSUs shall be in material part in consideration of Participant's reaffirmation of Participant's agreement to comply with the covenants set forth therein.

Section III.3 RSUs Not Transferable. The RSUs 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 RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or 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. Notwithstanding the foregoing, with the consent of the Administrator, the RSUs may be transferred to Permitted Transferees, pursuant to any such conditions and procedures the Administrator may require.

Section III.4 Adjustments. The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 12.2 of the Plan.

Section III.5 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 4.4, 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 or similar foreign entity.

Section III.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section III.7 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.

Section III.8 Conformity to Securities Laws. Participant acknowledges that the Plan, 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, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement, shall be deemed amended to the extent necessary to conform to Applicable Law.

Section III.9 Amendment, Suspension and Termination. To the extent permitted by the Plan, 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, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

Section III.10 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 4.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

Section III.11 Additional Residencies and Citizenships. If the Participant is a citizen or resident of a country other than the one in which the Participant is currently residing and/or working, transfers residency and/or employment after the RSUs are granted, or is considered a resident of another country for local law purposes, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall be applicable to the Participant.

Section III.12 No Other Rights. Participant hereby acknowledges that participation in the Plan is voluntary. The value of the RSUs is an extraordinary item of compensation outside the scope of Participant's normal compensation rights, if any. As such, the RSUs 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 RSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive any other grant of the RSUs 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.

Section III.13 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 Participating Company or shall interfere with or restrict in any way the rights of any Participating Company, 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 (i) expressly provided otherwise in a written agreement between a Participating Company and Participant or (ii) where such provisions are not consistent with applicable foreign or local laws, in which case such applicable foreign or local laws shall control.

Section III.14 Entire Agreement. The Plan (including 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.

Section III.15 Data Privacy and Consent. By accepting the RSUs, the Participant is agreeing to the collection, use and transfer, in electronic or other form, of his/her applicable personal data, by and among the Company, any Participating Company, and the Trustee for the exclusive purpose of implementing, administering and managing his/her participation in the Plan.

Section III.16 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.

Section III.17 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 rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs.

Section III.18 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.

* * *

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item (601)(b)(10). Such excluded information is both not material and is the type that the registrant treats as private or confidential.

ADDENDUM NO. 2
to the
WHOLE ACCOUNT QUOTA SHARE REINSURANCE CONTRACT
Effective: July 1, 2020

(the "Contract")

issued to

LEMONADE INSURANCE COMPANY
New York, New York

and

LEMONADE INSURANCE N.V.
Amsterdam, Netherlands

including any and/or all companies that are or may hereafter become affiliated therewith

(collectively the "Company")

by

THE SUBSCRIBING REINSURER(S) IDENTIFIED
IN THE INTERESTS AND LIABILITIES AGREEMENT(S)
ATTACHED TO AND FORMING PART OF THE CONTRACT

(the "Reinsurer")

Effective 12:01 a.m., Standard Time, July 1, 2021, with respect to losses occurring on policies attaching on or after that time and date, the following shall apply:

1. Article 1 – Business Covered - is amended to read:

   This Contract is to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under all Policies written or renewed by the Company during the term of this Contract and classified by the Company as personal property insurance, personal liability insurance, including but not limited to auto insurance, and pet insurance, subject to the terms and conditions herein contained.

2. Paragraph A. of Article 12 – Ceding Commission – is amended to read:

   [***]

3. The final paragraph under paragraph C.3. of Article 12 – Ceding Commission – is amended to read:

   [***]

4. The following Paragraph D. is added to Article 12 – Ceding Commission – and all remaining paragraphs are re-alphabetized accordingly:

   [***]

5. Paragraph G. of Article 16 – Definitions – is added:

   [***]

6. Article 19 – Inuring Reinsurance – is amended to read:

   A. Recoveries under all reinsurance contracts of the Company, whether collected or not, shall inure to the full benefit of this cover. All reinsurance contracts of the Company shall be deemed to be in place until all liability herein is finalized. Material change in inuring reinsurance is subject to mutual agreement by the Reinsurer and the Company.

   B. It is hereby noted that the Company's inuring Property Catastrophe Excess of Loss Reinsurance Agreement (U84F000B), effective 12:01 a.m., Standard Time, July 1, 2021 through 12:01 a.m., Standard Time, July 1, 2022, shall inure to the benefit of this Contract on a losses occurring basis.

All other terms and conditions of the Contract shall remain unchanged.

IN WITNESS WHEREOF, the Company has caused this Addendum to be executed by its duly authorized representative(s)

Signed in ___Israel________ this __29__day of ______July_______, in the year of 2021__.

LEMONADE INSURANCE COMPANY

By: /s/ Daniel Schreiber Title: President/CEO

and signed in ____Israel_______ this __29___day of ____July________, in the year of 2021_ .

LEMONADE INSURANCE N.V.

By: /s/ Daniel Schreiber Title: CEO

WHOLE ACCOUNT QUOTA SHARE REINSURANCE CONTRACT

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ADDENDUM NO. 2
to the

WHOLE ACCOUNT QUOTA SHARE REINSURANCE CONTRACT
Effective: July 1, 2020

(the "Contract")

issued to

LEMONADE INSURANCE COMPANY
New York, New York

and

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Amsterdam, Netherlands

including any and/or all companies that are or may hereafter become affiliated therewith

(collectively the "Company")

by

THE SUBSCRIBING REINSURER(S) IDENTIFIED
IN THE INTERESTS AND LIABILITIES AGREEMENT(S)
ATTACHED TO AND FORMING PART OF THE CONTRACT

(the "Reinsurer")

Effective 12:01 a.m., Standard Time, July 1, 2021, the Subscribing Reinsurer's participation shall be extended for an additional 12 months, and shall expire at 12:01 a.m., Standard Time, July 1, 2022. In consideration thereof, the Contract is amended as follows:

1. Article 1 – Business Covered – is amended to read:

   This Contract is to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under all Policies written or renewed by the Company during the term of this Contract and classified by the Company as personal property insurance, personal liability insurance, including but not limited to auto insurance, and pet insurance, subject to the terms and conditions herein contained.

2. Paragraph A. of Article 4 – Term – is amended to read:

   A. This Contract shall take effect at 12:01 a.m., Standard Time, July 1, 2020, and shall remain in effect until 12:01 a.m., Standard Time, July 1, 2022, in respect of losses occurring on Policies written or renewed during the term of this Contract. "Standard Time" shall be as defined in the Company's Policies.

3. Article 11 – Ceding Commission is amended to read:

   A. [***]

   B. 1. Within 45 days following the end of each Contract Year hereunder, and annually thereafter until all losses allocated to each Contract Year are settled, a cumulative profit commission shall be prepared by the Company in accordance with the following, and a profit commission, if any, paid to the Company by the Reinsurer.

      a. "Income" means the Reinsurer's cumulative earned premium for the term of this Contract.

      b. "Outgo" means the sum of:

         i. Losses and Loss Expense paid by the Reinsurer on losses allocated to the term of this Contract, plus

         ii. The outstanding case reserves of the Reinsurer on losses allocated to the term of this Contract, plus

         iii. Ceding commission on Income, plus

         iv. The Reinsurer's expense allowance of [***] of Income.

      2. The profit commission shall be [***] of the amount by which Income exceeds Outgo.

   C. Within 45 days after the end of each Contract Year, a profit commission calculation shall be prepared by the Company, based on cumulative transactions hereunder from the inception of this Contract through the date of calculation. Any profit commission shown to be due the Company shall be paid by the Reinsurer as promptly as possible after receipt and verification of the Company's report. The profit commission shall be adjusted annually thereafter until all losses allocated to the term of this Contract are settled. For the avoidance of doubt, each Contract Year profit commission calculation shall offset for profit commission paid to the Company by the Reinsurer in prior Contract Year periods, where applicable.

4. Paragraph E. of Article 13 – Definitions – is added to read:

E. "Contract Year" means each 12-month period from 12:01 a.m., Standard Time, July 1, to 12:01 a.m., Standard Time, July 1, during the term of this Contract. "Contract Year" is further defined as follows:

1. First Contract Year: the period from 12:01 a.m., Standard Time, July 1, 2020, to 12:01 a.m., Standard Time, July 1, 2021.

2. Second Contract Year: the period from 12:01 a.m., Standard Time, July 1, 2021, to 12:01 a.m., Standard Time, July 1, 2022.

If this Contract is terminated, however, the Final Contract Year shall be from the beginning of the then current Contract Year through the date of termination.

5. Paragraph C. of Article 15 – Net Retained Liability – is added:

C. It is hereby noted that the Company's inuring Property Catastrophe Excess of Loss Reinsurance Agreement (U84F000B), effective 12:01 a.m., Standard Time, July 1, 2021 through 12:01 a.m., Standard Time, July 1, 2022, shall inure only to the benefit of the Company.

All other terms and conditions of the Contract shall remain unchanged.

IN WITNESS WHEREOF, the Company has caused this Addendum to be executed by its duly authorized representative(s)

Signed in ______Israel__ _____ this __29_ day of _____July________, in the year of 2021_.

LEMONADE INSURANCE COMPANY

By: /s/ Daniel Schreiber Title: President/CEO

and signed in ____Israel________ this __29__day of _____July_______, in the year of 2021___.

LEMONADE INSURANCE N.V.

By: /s/ Daniel Schreiber Title: CEO

WHOLE ACCOUNT QUOTA SHARE REINSURANCE CONTRACT

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item (601)(b)(10). Such excluded information is both not material and is the type that the registrant treats as private or confidential.

ADDENDUM NO. 2
to the
WHOLE ACCOUNT QUOTA SHARE REINSURANCE CONTRACT
Effective: July 1, 2020

(the "Contract")

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LEMONADE INSURANCE COMPANY
New York, New York

and

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Amsterdam, Netherlands

including any and/or all companies that are or may hereafter become affiliated therewith

(collectively the "Company")

by

THE SUBSCRIBING REINSURER(S) IDENTIFIED
IN THE INTERESTS AND LIABILITIES AGREEMENT(S)
ATTACHED TO AND FORMING PART OF THE CONTRACT

(the "Reinsurer")

Effective 12:01 a.m., Standard Time, July 1, 2021, with respect to losses occurring after that time and date, the following shall apply:

1. Article 1 – Business Covered – is amended to read:

   This Contract is to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under all Policies written or renewed by the Company during the term of this Contract and classified by the Company as personal property insurance, personal liability insurance, including but not limited to auto insurance, and pet insurance, subject to the terms and conditions herein contained.

2. Paragraph P. of Article 8 - Exclusions – is added:

   P. As respect business classified by the Company as auto insurance:

Liability, including all loss, cost or expense associated with the following classes and/or activities and known to the Company at time of binding:

1. Motorcycles, motorized scooters, motorized bicycles, racing vehicles, all-terrain vehicles, and other off-the-road motorized vehicles.

2. Operation or use of police, fire, and emergency vehicles, including ambulances.

3. Vehicles which may be classified as "public vehicles." For purposes of this exclusion "public vehicles" shall be defined as vehicles which are defined as Public Auto's in the ISO Commercial Auto Manual, except for purposes of this exclusion such term shall be deemed not to include vehicles used as school or church buses.

4. Fleets of fifty or more vehicles at the inception of or last anniversary of the Company's Policy, whichever is later. This exclusion shall not apply to business derived from automobiles assigned risk plans (including JUAs), which meets the definition of the Cover and/or Exclusions Articles.

5. Any transportation, including hauling and/or handling of any "Hazardous Waste" and/or "Hazardous Materials," as these terms are defined or determined by the United States Environmental protection Agency ("EPA") and/or the applicable equivalent of a State EPA of the state in which the insured is insured or domiciled and/or the location of the loss. This exclusion shall not be interpreted to apply to a personal auto insured who may incidentally transport motor oil, petroleum, and/or gasoline products for personal use.

6. Vehicles used in or while practice or preparation for, a prearranged racing, speed exhibition or demolition contest.

7. Airport service vehicles.

8. Vehicles used on parts of airport premises to which the public does not have free vehicular access.

In the event the Company is inadvertently bound on any exclusion enumerated under this paragraph P, the reinsurance provided under this Contract shall apply until discovery by the Company of the existence of the inadvertent binding and for 30 days thereafter, and shall then cease unless, within the 30 day period, the Company has received from the Reinsurer written notice of its approval of such binding.

3. Paragraph A. of Article 11 – Ceding Commission – is amended to read:

A. [***]

4. The following Paragraph B. is added to Article 11 – Ceding Commission – and all remaining paragraphs are re-alphabetized accordingly:

   B. [***]

5. Paragraph F. of Article 13 – Definitions – is added:

   F. [***]

6. Paragraph C. of Article 15 – Net Retained Liability – is added:

   C. It is hereby noted that the Company's inuring Property Catastrophe Excess of Loss Reinsurance Agreement (U84F000B), effective 12:01 a.m., Standard Time, July 1, 2021 through 12:01 a.m., Standard Time, July 1, 2022, shall inure to the benefit of this Contract on a losses occurring basis.

All other terms and conditions of the Contract shall remain unchanged.

IN WITNESS WHEREOF, the Company has caused this Addendum to be executed by its duly authorized representative(s)

Signed in ____Israel________ this __29__day of ____July_________, in the year of 2021____.

LEMONADE INSURANCE COMPANY

By: /s/ Daniel Schreiber   Title: President/CEO

and signed in ___Israel_________ this _29___day of ____July________, in the year of 2021__.

LEMONADE INSURANCE N.V.

By: /s/ Daniel Schreiber   Title: CEO

WHOLE ACCOUNT QUOTA SHARE REINSURANCE CONTRACT

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 officers 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 officers 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: August 11, 2021

By: /s/ Daniel Schreiber

Daniel Schreiber

Co-Chief Executive Officer

(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Shai Wininger, 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 officers 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 officers 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: August 11, 2021

By: /s/ Shai Wininger
Shai Wininger
Co-Chief Executive Officer
(principal executive officer)

Exhibit 31.3

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 officers 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 officers 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: August 11, 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 June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel Schreiber, Co-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: August 11, 2021

By: /s/ Daniel Schreiber

Daniel Schreiber
Co-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 June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Shai Wininger, Co-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: August 11, 2021

By: /s/ Shai Wininger

Shai Wininger
Co-Chief Executive Officer
(*principal executive officer*)

Exhibit 32.3

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 June 30, 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: August 11, 2021

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