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 September 30, 2022

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 November 8, 2022, the registrant had 69,163,813 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 (the "Quarterly Report") 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, our telematics based pricing model, 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, telematics, mobile technology and our digital platforms 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 prohibit or restrict our ability to collect or use 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.
- Combining the businesses of Lemonade and Metromile may be more difficult, costly or time-consuming than expected and the combined company may fail to realize the anticipated benefits of the mergers, which may adversely affect the combined company’s business results and negatively affect the value of the company’s common stock.
- The combined company may not be able to retain customers, which could have an adverse effect on the combined company’s business and operations. Third parties may terminate or alter existing contracts or relationships with Lemonade or Metromile.

- The combined company may be exposed to increased litigation, which could have an adverse effect on the combined company's business and operations.
- The insurance business, including the market for renters, homeowners, pet and automobile 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 has 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 the ability of our stockholders to influence the outcome of important transactions, including a change in control.
- 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.
- 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, 2021 (the "Annual Report on Form 10-K") and in this Quarterly Report.

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	
	September 30, 2022	December 31, 2021
	(Unaudited)	
Assets		
Investments		
Fixed maturities available-for-sale, at fair value (amortized cost: $722.2 million and $696.8 million as of September 30, 2022 and December 31, 2021, respectively)	$ 693.1	$ 691.4
Short-term investments (cost: $143.1 million and $110.4 million as of September 30, 2022 and December 31, 2021, respectively)	142.8	110.4
Total investments	835.9	801.8
Cash, cash equivalents and restricted cash	225.0	270.6
Premium receivable, net of allowance for credit losses of $2.7 million and $1.6 million as of September 30, 2022 and December 31, 2021, respectively	187.7	127.0
Reinsurance recoverable	136.3	89.8
Prepaid reinsurance premium	181.6	149.6
Deferred acquisition costs	7.6	6.2
Property and equipment, net	19.1	11.7
Intangible assets	35.7	0.6
Goodwill	10.9	—
Other assets	73.1	53.2
Total assets	$ 1,712.9	$ 1,510.5
Liabilities and Stockholders' Equity		
Unpaid loss and loss adjustment expense	$ 220.6	$ 97.9
Unearned premium	294.1	207.7
Trade payables	1.5	1.0
Funds held for reinsurance treaties	131.7	103.1
Deferred ceding commission	43.0	36.5
Ceded premium payable	24.9	18.7
Other liabilities and accrued expenses	90.3	57.4
Total liabilities	806.1	522.3
Contingencies (Note 15)		
Stockholders' equity		
Common stock, $0.00001 par value, 200,000,000 shares authorized; 69,120,346 and 61,660,996 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Additional paid-in capital	1,738.1	1,553.5
Accumulated deficit	(796.0)	(561.9)
Accumulated other comprehensive loss	(35.3)	(3.4)
Total stockholders' equity	906.8	988.2
Total liabilities and stockholders' equity	$ 1,712.9	$ 1,510.5

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue				
Net earned premium	$ 50.6	$ 21.5	$ 109.2	$ 51.6
Ceding commission income	16.9	12.3	46.4	31.9
Net investment income	2.6	0.6	4.7	1.0
Commission and other income	3.9	1.3	8.0	2.9
Total revenue	74.0	35.7	168.3	87.4
Expense				
Loss and loss adjustment expense, net	53.3	17.5	105.8	47.0
Other insurance expense	12.1	6.3	30.9	16.3
Sales and marketing	35.8	42.2	111.1	104.4
Technology development	21.4	14.3	56.1	35.4
General and administrative	40.5	19.6	91.1	49.5
Total expense	163.1	99.9	395.0	252.6
Loss before income taxes	(89.1)	(64.2)	(226.7)	(165.2)
Income tax expense	2.3	2.2	7.4	5.8
Net loss	$ (91.4)	$ (66.4)	$ (234.1)	$ (171.0)
Other comprehensive loss, net of tax				
Unrealized loss on investments in fixed maturities	(5.0)	(0.8)	(23.8)	(1.2)
Foreign currency translation adjustment	(1.5)	—	(8.1)	(0.5)
Comprehensive loss	$ (97.9)	$ (67.2)	$ (266.0)	$ (172.7)
Per share data:				
Net loss per share attributable to common stockholders—basic and diluted	$ (1.37)	$ (1.08)	$ (3.69)	$ (2.80)
Weighted average common shares outstanding—basic and diluted	66,877,100	61,580,145	63,482,945	61,086,238

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

LEMONADE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

($ in millions, except share amounts)

(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2021	61,660,996	$ —	$ 1,553.5	$ (561.9)	$ (3.4)	$ 988.2
Exercise of stock options and distribution of restricted stock units	97,743	—	0.6	—	—	0.6
Stock-based compensation	—	—	14.1	—	—	14.1
Net loss	—	—	—	(74.8)	—	(74.8)
Other comprehensive loss	—	—	—	—	(15.4)	(15.4)
Balance as of March 31, 2022	61,758,739	$ —	$ 1,568.2	$ (636.7)	$ (18.8)	$ 912.7
Exercise of stock options and distribution of restricted stock units	108,838	—	0.4	—	—	0.4
Stock-based compensation	—	—	13.9	—	—	13.9
Net loss	—	—	—	(67.9)	—	(67.9)
Other comprehensive loss	—	—	—	—	(10.0)	(10.0)
Balance as of June 30, 2022	61,867,577	$ —	$ 1,582.5	$ (704.6)	$ (28.8)	$ 849.1
Issuance of common stock from acquisition of Metromile (Note 5)	6,901,934	—	137.7	—	—	137.7
Exercise of stock options and distribution of restricted stock units	350,835	—	2.3	—	—	2.3
Stock-based compensation	—	—	15.6	—	—	15.6
Net loss	—	—	—	(91.4)	—	(91.4)
Other comprehensive loss	—	—	—	—	(6.5)	(6.5)
Balance as of September 30, 2022	69,120,346	$ —	$ 1,738.1	$ (796.0)	$ (35.3)	$ 906.8
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 loss	—	—	—	—	(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 loss	—	—	—	—	(0.1)	(0.1)
Balance as of June 30, 2021	61,532,127	$ —	$ 1,525.9	$ (425.2)	$ 0.9	$ 1,101.6
Exercise of stock options and distribution of restricted stock units	83,497	—	0.9	—	—	0.9
Stock-based compensation	—	—	12.7	—	—	12.7
Net loss	—	—	—	(66.4)	—	(66.4)
Other comprehensive income	—	—	—	—	(0.8)	(0.8)
Balance as of September 30, 2021	61,615,624	$ —	$ 1,539.5	$ (491.6)	$ 0.1	$ 1,048.0

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)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities:		
Net loss	$ (234.1)	$ (171.0)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6.8	2.5
Stock-based compensation	43.6	30.7
Amortization of discount on bonds	5.9	(1.5)
Provision for bad debt	6.4	3.8
Changes in operating assets and liabilities:		
Premium receivable	(49.8)	(46.9)
Reinsurance recoverable	(32.2)	(21.8)
Prepaid reinsurance premium	(32.1)	(58.9)
Deferred acquisition costs	(1.4)	(2.5)
Other assets	(5.1)	(15.0)
Unpaid loss and loss adjustment expense	46.5	27.7
Unearned premium	71.5	79.4
Trade payables	(0.3)	1.6
Funds held for reinsurance treaties	28.6	35.0
Deferred ceding commissions	6.5	13.7
Ceded premium payable	(5.8)	11.8
Other liabilities and accrued expenses	10.6	16.7
Net cash used in operating activities	(134.4)	(94.7)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	98.8	—
Proceeds from short-term investments sold or matured	150.0	—
Proceeds from bonds sold or matured	90.0	7.9
Cost of short-term investments acquired	(118.3)	(107.5)
Cost of bonds acquired	(119.4)	(700.1)
Purchases of property and equipment	(7.5)	(7.4)
Net cash provided by (used in) investing activities	93.6	(807.1)
Cash flows from financing activities:		
Proceeds from Follow-on Offering, net of underwriting discounts and commissions and offering costs	—	640.3
Proceeds from stock exercises	3.3	8.7
Net cash provided by financing activities	3.3	649.0
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(8.1)	1.0
Net decrease in cash, cash equivalents and restricted cash	(45.6)	(251.8)
Cash, cash equivalents and restricted cash at beginning of period	270.6	571.4
Cash, cash equivalents and restricted cash at end of period	$ 225.0	$ 319.6
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 3.4	$ 2.1
Non-cash transactions:		
Warrants assumed from acquisition of Metromile	$ 0.8	$ —

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

LEMONADE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business

Lemonade, Inc. is a public benefit corporation organized under Delaware law on June 17, 2015. It provides certain personnel, facilities and services to each of its subsidiaries (together with Lemonade, Inc., the “Company”), all of which are 100% owned, directly or indirectly, by Lemonade, Inc. For the list of the Company's US and EU subsidiaries, see Note 1 - Nature of the Business, of the audited consolidated financial statements and related notes thereto for the year ended December 31, 2021 as included in the Company's Annual Report on Form 10-K for the year ending December 31, 2021 (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 COVID-19 pandemic has caused national and global economic and financial market disruptions and may adversely impact the Company. Although the Company did not see a material impact on its results of operations for the three and nine months ended September 30, 2022 and year ended December 31, 2021 due to the COVID-19 pandemic, the Company cannot predict the duration or magnitude of the pandemic or the full impact that it may have on the Company’s financial condition and results of operations, business operations, and workforce.

Unaudited interim financial information

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of its financial position and its results of operations, changes in stockholders’ equity and cash flows. The condensed consolidated balance sheet at December 31, 2021 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, 2021 as included 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 and valuation allowance on deferred tax assets.

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 September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Cash and cash equivalents	$ 222.0	$ 270.6
Restricted cash	3.0	—
Total cash, cash equivalents and restricted cash	$ 225.0	$ 270.6

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 an office lease in Tempe, Arizona and San Francisco, California. The carrying value of restricted cash approximates fair value.

Deferred offering costs

The Company capitalized 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 were recorded as a reduction to the carrying value of stockholders' equity, as a reduction of additional paid-in capital generated as a result of such offering. On January 14, 2021, the Company completed a Follow-on Offering of common stock, as defined and discussed in detail in Note 10, 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 the Company of $114.6 million. Deferred offering costs from the Follow-on Offering amounted to $0.4 million.

Recently adopted accounting pronouncements

Leases

In February 2016, the FASB issued Leases (Topic 842) ("ASU 2016-02"), as subsequently amended, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors), and replaces the existing guidance in ASC 840, *Leases*. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine the recognition pattern of lease expense over the term of the lease. In addition, a lessee is required to record (i) a right-of-use asset and a lease liability the balance sheet for all leases with accounting lease terms of more than 12 months regardless of whether it is an operating or financing lease, and (ii) lease expense for operating leases and amortization and interest expense for financing leases, in the statement of operations. Leases with a term of 12 months or less may be accounted for similar to existing guidance for operating leases under ASC 840. In July 2018, the FASB issued ASU 2018-11, Leases ("Topic 842"), which added an optional transition method that allows companies to adopt the standard as of the beginning of the year of adoption as opposed to the earliest comparative period presented.

The Company adopted the new standard effective January 1, 2021, using the modified retrospective transition approach which uses the effective date as the date of initial application with no adjustment to prior periods presented. There was no adjustment to the opening balance of retained earnings, as a result of the adoption.

At adoption date, the new standard resulted in the recognition of an operating lease Right-of-Use ("ROU") asset of $16.9 million included under Other Assets, and a corresponding operating lease liabilities of $17.2 million included in Other Liabilities on the consolidated balance sheets. The difference of $0.3 million between the operating lease ROU assets and operating lease liabilities represents reclassification of deferred rent liability (the difference between the straight-line rent expenses and paid rent amounts under the leases) to operating lease ROU assets from other liabilities at the adoption date. The adoption of the standard did not have a material impact on the Company's consolidated statements of operations and comprehensive loss, or consolidated statements of cash flows. The adoption impact relates to the Company's existing operating leases for office spaces in the US, Netherlands and Israel.

The Company has elected to apply the package of practical expedients requiring no reassessment of whether any expired or existing contracts are or contain leases, the lease classification of any expired or existing leases, or the capitalization of initial direct costs for any existing leases. Additionally, the Company elected the practical expedients that permit the exclusions of leases considered to be short-term.

Current Expected Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses ("Topic 326"): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 introduced a current expected credit loss ("CECL") model for measuring expected credit losses for certain types of financial instruments held at the reporting date requiring significant judgment in application based on historical experience, current conditions and reasonable supportable forecasts, but is not prescriptive about certain aspects of estimating expected losses. The guidance replaced the current incurred loss model for measuring expected credit losses and provided for additional disclosure requirements. Subsequently, the FASB issued additional ASUs on Topic 326 that did not change the core principle of the guidance in ASU 2016-13, but provided clarification and implementation guidance on certain aspects of ASU 2016-13, and have the same effective date and transition requirements as ASU 2016-13. The Company adopted the guidance using a modified retrospective approach as of January 1, 2021 which resulted in no cumulative-effect adjustment to retained earnings.

The updated guidance in ASU 2016-13 also amended the previous other-than-temporary impairment ("OTTI") model for available-for-sale fixed income securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists. The Company adopted the guidance related to available-for-sale fixed income securities on January 1, 2021 using a prospective transition approach for available-for-sale fixed income securities that were purchased with credit deterioration or had recognized an OTTI write-down prior to the effective date. The effect of the prospective transition approach was to maintain the same amortized cost basis before and after the effective date.

Reclassification

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

5. Acquisition of Metromile

On July 28, 2022 (the "Acquisition Date"), the Company completed its acquisition of Metromile, Inc. ("Metromile"), a leading digital insurance platform in the United States that offers real-time, personalized auto insurance policies by the mile (the "Metromile Acquisition"). The Company acquired 100% of Metromile's equity through an all-stock transaction based upon the exchange ratio of 0.05263 shares of Lemonade for each outstanding share of Metromile. As a result of the acquisition, Metromile stockholders received 6,901,934 shares of Lemonade's common stock, with minimal cash paid in lieu of fractional shares. In addition, upon closing of the Metromile Acquisition, the Company assumed all outstanding and unexercised options, and outstanding restricted stock units (collectively referred to as "replacement awards") as of the Acquisition Date, which were converted into corresponding awards using the same exchange ratio of 0.05263 and with substantially identical terms and conditions prior to the close of the Metromile Acquisition.

Fair value of consideration transferred for the Metromile Acquisition is as follows ($ in millions):

Metromile issued and outstanding stock exchanged for Lemonade common stock [1]	$	136.9
Contingent consideration [2]		—
Metromile vested awards exchanged for Lemonade awards [3]		0.8
Total Purchase Consideration	$	137.7

[1] The fair value of 6,901,934 shares issued and exchanged for Lemonade common stock was determined based on the closing price at acquisition date of $19.84, and includes a minimal amount of cash paid in lieu of fractional shares.

[2] Contingent consideration represents Metromile's contingently issuable shares that are convertible into Lemonade common stock in accordance with the exchange ratio as set forth in the merger agreement. In accordance with ASC 805-30-25-5, contingent consideration shall be recognized and measured at fair value as of the Acquisition Date. Given that the contingencies are not probable of being met within the contingency period, no fair value was assessed for these Metromile shares.

[3] Fair value of replacement awards related to services rendered prior to the acquisition are included as part of purchase consideration. The unvested portion of fair value attributable to these replacement awards of $4.3 million comprised of $0.1 million for assumed options and $4.2 million for assumed restricted stock units ("RSUs"), and associated with future service will be recognized as expense over the future service period.

This Metromile Acquisition increased the Company's geographic footprint as a tech-enabled insurance provider and is expected to accelerate growth of the Lemonade car product, including other product offerings.

The Metromile Acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The purchase price was allocated to assets acquired and liabilities assumed based on the estimated fair values at the Acquisition Date. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill, and will not be deductible for tax purposes. Goodwill from this business combination is primarily attributable to synergies from future expected economic benefits, enhanced revenue growth from expanded capabilities and geographic presence, including cost savings from streamlined operations and enhanced operational efficiencies.

The following table presents the preliminary allocation of purchase consideration recorded on the condensed consolidated balance sheet as of the Acquisition Date ($ in millions):

Assets acquired		
Fixed maturities, available for sale, at fair value	$	1.8
Short-term investments		64.2
Cash, cash equivalents and restricted cash		98.8
Premiums receivable		17.4
Reinsurance recoverable		14.5
Property and equipment		4.6
Value of business acquired ("VOBA")		1.7
Intangible assets - technology		28.0
Intangible assets - insurance licenses		7.5
Other assets		14.7
Total assets acquired	$	253.2
Liabilities assumed		
Unpaid loss and loss adjustment expenses	$	76.3
Unearned premium		15.1
Trade payables		0.8
Ceded premium payable		12.0
Other liabilities and accrued expenses		22.2
Total liabilities assumed	$	126.4
Total identifiable net assets acquired	$	126.8
Total purchase consideration	$	137.7
Goodwill	$	10.9

Estimated fair values of assets acquired and liabilities assumed from Metromile are subject to change as we obtain additional information, and will be updated and finalized within the measurement period that will not extend beyond 12 months from the Acquisition Date.

The amounts, based on preliminary valuations and subject to final adjustment, allocated to intangible assets are as follows ($ in millions):

	Fair Value		Weighted-Average Useful Life
Technology	$	28.0	3 to 5 years
Insurance licenses		7.5	N/A
Total	$	35.5	

The results of operations for Metromile of $15.1 million of revenue and $20.7 million of net loss from the date of the acquisition to the period ended September 30, 2022, have been included within the accompanying consolidated statements of operations and comprehensive loss.

The Company incurred transaction expenses of approximately $7.4 million and $8.4 million for the three and nine months ended September 30, 2022, respectively. These expenses were included in General and administrative expenses within the Company's consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2022, respectively.

The following unaudited supplemental pro forma combined financial information presents the Company's results of operations for the three and nine months ended September 30, 2022 and 2021 as if the Metromile Acquisition had occurred on January 1, 2021. The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the Company's operating results that may have actually occurred had the Metromile Acquisition been completed on January 1, 2021. In addition, the unaudited pro forma financial information does not give effect to any anticipated cost savings, operating efficiencies or other synergies that may be associated with the acquisition, or any estimated costs that have been or will be incurred by the Company to integrate the assets and operations of Metromile.

Unaudited Pro Forma:

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	2022	2021	2022	2021
Total Revenue	$ 85.1	$ 64.2	$ 221.1	$ 159.1
Net loss	$ (112.2)	$ (90.6)	$ (316.8)	$ (344.7)

The unaudited pro forma financial information reflects pro forma adjustments to present the combined pro forma results of operations as if the acquisition had occurred on January 1, 2021 to give effect to certain events the Company believes to be directly attributable to the acquisition. These pro forma adjustments primarily include:

- a net decrease in amortization expense that would have been recognized due to acquired intangible assets;
- an increase in the nine months ended September 30, 2022 for acquisition-related transaction costs;
- a decrease in operating revenues due to the elimination of deferred revenues and assigned no value at the Acquisition Date;
- a decrease to amortization expense due to the elimination of unamortized deferred acquisition costs;
- an increase to income due to the adjustment of the loss and loss adjustment expense reserves at fair value; and
- an increase in income due to the depreciation of ROU assets and lease expense upon adoption of ASC 842.

6. Investments

Unrealized gains and losses

The following tables present cost or amortized cost and fair values of investment in fixed maturities as of September 30, 2022 and December 31, 2021 ($ in millions):

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2022				
Corporate debt securities	$ 597.3	$ —	$ (24.5)	$ 572.8
U.S. Government obligations	120.9	—	(4.6)	116.3
Municipal securities	1.2	—	—	1.2
Asset-backed securities	2.8	—	—	2.8
Total	$ 722.2	$ —	$ (29.1)	$ 693.1
December 31, 2021				
Corporate debt securities	$ 593.4	$ —	$ (4.7)	$ 588.7
U.S. Government obligations	102.2	0.1	(0.8)	101.5
Municipal securities	1.2	—	—	1.2
Asset-backed securities	—	—	—	—
Total	$ 696.8	$ 0.1	$ (5.5)	$ 691.4

Gross unrealized losses for fixed maturities was $29.1 million as of September 30, 2022 and $5.5 million as of December 31, 2021. Gross unrealized gains and losses were recorded as a component of accumulated other comprehensive loss.

Contractual maturities of bonds

The following table presents the cost or amortized cost and estimated fair value of investments in fixed maturities as of September 30, 2022 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.

	September 30, 2022 Cost or Amortized Cost	September 30, 2022 Fair Value
Due in one year or less	$ 251.4	$ 246.1
Due after one year through five years	470.8	447.0
Due after five years through ten years	—	—
Due after ten years	—	—
Total	$ 722.2	$ 693.1

Net investment income

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

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	2022	2021	2022	2021
Interest on cash and cash equivalents	$ 0.3	$ 0.1	$ 0.4	$ 0.4
Fixed maturities	1.7	0.6	3.7	0.7
Short-term investments	0.7	—	0.9	—
Total	2.7	0.7	5.0	1.1
Investment expense	0.1	0.1	0.3	0.1
Net investment income	$ 2.6	$ 0.6	$ 4.7	$ 1.0

Investment gains and losses

The Company had pre-tax net realized capital losses of $0.4 million for the nine months ended September 30, 2022. There were no pre-tax net realized capital gains or losses for the three months ended September 30, 2022, and for the three and nine months ended September 30, 2021.

Aging of gross unrealized losses

The following table presents the gross unrealized losses and related fair values for the Company's investment in fixed maturities, grouped by duration of time in a continuous unrealized loss position as of September 30, 2022 and December 31, 2021 ($ 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
September 30, 2022						
Corporate debt securities	$ 198.4	$ (7.0)	$ 362.6	$ (17.5)	$ 561.0	$ (24.5)
U.S. Government obligations	36.8	(0.8)	79.3	(3.8)	116.1	(4.6)
Municipal securities	0.6	—	—	—	0.6	—
Asset-backed securities	2.8	—	—	—	2.8	—
Total	$ 238.6	$ (7.8)	$ 441.9	$ (21.3)	$ 680.5	$ (29.1)

	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, 2021						
Corporate debt securities	$ 581.9	$ (4.7)	$ —	$ —	$ 581.9	$ (4.7)
U.S. Government obligations	95.0	(0.8)	0.5	—	95.5	(0.8)
Municipal securities	1.2	—	—	—	1.2	—
Asset-backed securities	—	—	—	—	—	—
Total	$ 678.1	$ (5.5)	$ 0.5	$ —	$ 678.6	$ (5.5)

Investments in fixed maturities with gross unrealized losses for twelve months or more was $21.3 million and less than $0.1 million for September 30, 2022 and December 31, 2021, respectively.

As of September 30, 2022, 294 of the securities held were in an unrealized loss position. The Company determined that unrealized losses on fixed maturities were primarily due to the interest rate environment, and not credit risk related to the issuers of these securities. The Company does not intend to sell these investment in fixed maturities, and it is not more likely than not that that the Company will be required to sell these investment in fixed maturities before recovery of the amortized cost basis. No allowance for credit losses related to any of these securities was recorded for the three and nine months ended September 30, 2022. The Company does not measure an allowance for credit losses on accrued interest receivable and would instead write off accrued interest receivable at the time an issuer defaults or is expected to default on payments.

7. Fair Value Measurements

The following tables present the Company's fair value hierarchy for financial assets and liabilities measured as of September 30, 2022 and December 31, 2021 ($ in millions):

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Corporate debt securities	$ —	$ 572.8	$ —	$ 572.8
U.S. Government obligations	—	116.3	—	116.3
Municipal securities	—	1.2	—	1.2
Asset-backed securities	—	2.8	—	2.8
Fixed maturities	$ —	$ 693.1	$ —	$ 693.1
Short term investments	—	142.8	—	142.8
Total	$ —	$ 835.9	$ —	$ 835.9
Financial Liabilities:				
Warrant Liability	$ —	$ —	$ 0.8	$ 0.8

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Corporate debt securities	$ —	$ 588.7	$ —	$ 588.7
U.S. Government obligations	—	101.5	—	101.5
Municipal securities	—	1.2	—	1.2
Asset-backed securities	—	—	—	—
Fixed maturities	$ —	$ 691.4	$ —	691.4
Short term investments	—	110.4	—	110.4
Total	$ —	$ 801.8	$ —	$ 801.8
Financial Liabilities:				
Warrant Liability	$ —	$ —	$ —	$ —

The fair value of all different classes of Level 2 fixed maturities and short-term investments are estimated by using quoted prices from a third-party valuation service provider to gather, analyze and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments.

There were no transfers between Level 1, Level 2, or Level 3 during the three and nine months ended September 30, 2022 and during the year ended December 31, 2021.

Warrant liability

As part of the Metromile Acquisition as discussed in Note 5, public and private warrants were assumed and are measured at fair value on a recurring basis at the end of the reporting period, and classified as level 3 for fair value hierarchy disclosure purposes. These warrants do not meet the criteria for equity treatment and are recorded as a liability and presented under "Other Liabilities and Accrued Expenses" on the consolidated balance sheet at fair value, with changes in fair value recognized and presented under "General and Administrative expenses" in the consolidated statement of operations and comprehensive loss. The Company utilized the binomial Monte-Carlo simulation to estimate the fair value of these warrants which are currently not actively traded as of reporting date, and are determined based on the following assumptions:

	September 30, 2022
Weighted average expected term (years)	3.36
Risk-free interest rate	4.2%
Volatility	80%
Expected dividend yield	—

The following table below presents the change in fair value of the warrant liability ($ in millions):

	September 30, 2022	
Balance as of January 1	$	—
Initial measurement of warrants liability as of July 31, 2022		0.5
Change in fair value		0.3
Balance as of September 30	$	0.8

8. 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 nine months ended September 30, 2022 and 2021 ($ in millions):

	Nine Months Ended September 30,	
	2022	2021
Unpaid loss and LAE at beginning of period	$ 97.9	$ 46.3
Less: Reinsurance recoverable at beginning of period [1]	72.7	36.3
Net unpaid loss and LAE at beginning of period	25.2	10.0
Add: Incurred loss and LAE, net of reinsurance, related to:		
Current year	106.9	47.3
Prior years	(1.1)	(0.3)
Total incurred	105.8	47.0
Deduct: Paid loss and LAE, net of reinsurance, related to:		
Current year	65.9	32.3
Prior years	21.9	6.3
Total paid	87.8	38.6
Unpaid loss and LAE, net of reinsurance recoverable acquired from Metromile	68.1	—
Unpaid loss and LAE, net of reinsurance recoverable, at end of period	111.3	18.4
Reinsurance recoverable at end of period [1]	109.3	55.6
Unpaid loss and LAE, gross of reinsurance recoverable, at end of period	$ 220.6	$ 74.0

(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. Other factors that can impact loss reserve development may also include trends in general economic conditions, including the effects of inflation. The Company had favorable development on net loss and LAE reserves of $1.1 million for the nine months ended September 30, 2022, and favorable development on net loss and LAE reserves of $0.3 million for the nine months ended September 30, 2021. No additional premiums or returned premiums have been accrued as a result of prior year effects.

For the nine months ended September 30, 2022, current accident year incurred loss and LAE included $2.2 million of net incurred loss and LAE from Hurricane Ian. The net incurred loss and LAE from Hurricane Ian as of September 30, 2022 represents the Company's best estimates based upon information currently available.

For the nine months ended September 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 the Company's customers in the states of Texas and Oklahoma. The net incurred loss and LAE from Winter Storm Uri as of September 30, 2021 represents the Company's best estimates based upon information currently available.

In the ordinary course of business, the Company cedes losses and LAE to other reinsurance companies. These arrangements reduce the net loss potentially arising from large or catastrophic risks. Certain of these arrangements consist of excess of loss and catastrophe contracts, which protect against losses exceeding stipulated amounts. The ceding of risk through reinsurance does not relieve the Company from its obligations to policyholders. The Company remains liable with respect to losses and LAE ceded in the event that any reinsurer does not meet obligations assumed under the reinsurance agreements. The Company does not have any significant unsecured aggregate recoverable for losses, paid and unpaid including Incurred But Not Reported ("IBNR"), loss adjustment expenses, and unearned premium with any individual reinsurer.

Through June 30, 2021, the Company had proportional reinsurance contracts which cover all of the Company's products and geographies, and transferred, or "ceded," 75% of the premium to reinsurers ("Proportional Reinsurance Contracts"). In exchange, these reinsurers paid 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").

A portion of the Company's proportional reinsurance program expired on June 30, 2021 and on June 30, 2022. As the business continues to grow and diversify, and with stability in the Company's insurance results, the Company decreased the overall share of proportional reinsurance from 75% of premium to 55% effective July 1, 2022. In addition, the Company purchased a reinsurance program to protect against catastrophe risk in the U.S that exceed $80 million in losses effective July 1, 2022. Other non-proportional reinsurance contracts were renewed with terms similar to the expired contracts.

Metromile entered into a Quota Share reinsurance agreement effective January 1, 2022 through June 30, 2023. Under the terms of the agreement, the Company cedes 30% of premiums and losses to reinsurers.

9. Other Liabilities and Accrued Expenses

Other liabilities and accrued expenses as of September 30, 2022 and December 31, 2021 consist of the following ($ in millions):

	September 30, 2022	December 31, 2021
Lease liabilities	$ 36.6	$ 22.3
Employee compensation	11.7	5.4
Accrued advertising costs	8.6	11.2
Accrued professional fees	6.2	4.6
Premium taxes payable	5.0	5.4
Advance premium	2.7	2.0
Accrued hosting and software	1.7	0.6
Income tax payable	1.5	4.7
Accrued devices	1.0	—
Warrant liability	0.8	—
Other payables	14.5	1.2
Total	$ 90.3	$ 57.4

10. Stockholders' Equity

Common stock

Upon closing of the initial public offering ("IPO") in 2020, 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 the Company 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 the Company after deducting underwriting discounts.

On July 28, 2022, the Company completed its acquisition of Metromile in which 6,901,934 shares of Lemonade's common stock were issued to Metromile stockholders (see Note 5).

As of September 30, 2022 and December 31, 2021, 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.

The Company in 2020 made a contribution of 500,000 newly issued shares of common stock to a related party, the Lemonade Foundation (see Note 14). 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 September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, there were no shares of undesignated preferred stock issued or outstanding.

11. 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, 2022, the 2020 Plan share pool was increased by 3,083,050 shares, equal to 5% of the aggregate number of outstanding common stock as of December 31, 2021. As of September 30, 2022, there were 3,109,188 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 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, 2022, there was no increase in the 2020 ESPP share pool. As of September 30, 2022, 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 Incentive Share Option Plan ("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 September 30, 2022, 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.

Assumed Share Option Plans

As part of the Metromile Acquisition, the Company assumed the Metromile 2011 Incentive Stock Plan ("2011 Plan") and Metromile 2021 Incentive Stock Plan ("2021 Plan") (collectively referred to as "Assumed Plans"). The equity awards assumed of 404,207 were granted from the respective Assumed Plans but will be settled in the Company's common stock (see Note 5). The remaining unallocated shares reserved under both 2011 Plan and 2021 Plan were cancelled and no new awards will be granted under these Assumed Plans.

Options granted to employees and non-employees

The fair value of each option granted for the nine months ended September 30, 2022 and 2021 is estimated on the date of grant using the Black-Scholes model based on the following assumptions:

	Nine Months Ended September 30,	
	2022	2021
Weighted average expected term (years)	6.1	6.1
Risk-free interest rate	2.7%	1.3%
Volatility	47%	49%
Expected dividend yield	0%	0%

Expected volatility is calculated based on implied volatility from market comparisons of certain publicly traded companies and other factors. 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 Topic 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, 2021	6,573,744	$ 46.03	8.29	$ 85.86
Granted [(1)]	4,351,371	27.47		
Exercised	(404,133)	8.16		
Cancelled	(584,411)	50.66		
Outstanding as of September 30, 2022	9,936,571	$ 39.39	8.44	$ 17.05
Options exercisable as of September 30, 2022	2,969,722	$ 27.51	6.88	$ 15.47
Options unvested as of September 30, 2022	6,966,849	$ 44.45	9.10	$ 1.58

(1) includes assumed options of 72,410 from the Metromile Acquisition (see Note 5)

Restricted Stock Units

	Number of Shares	Grant Date Fair Value
Outstanding as of December 31, 2021	335,814	$ 66.94
Granted [(1)]	1,743,224	22.59
Vested	(153,283)	41.17
Cancelled	(190,104)	27.88
Outstanding as of September 30, 2022	1,735,651	$ 28.38

(1) includes assumed restricted stock units of 331,797 from the Metromile Acquisition (see Note 5)

Stock-based compensation expense

Stock-based compensation expense from stock options and RSUs granted are included and classified in the condensed consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021, including assumed awards from the Metromile Acquisition for the three and nine months ended September 30, 2022, as follows ($ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Loss and loss adjustment expense, net	$ 0.7	$ 0.3	$ 1.9	$ 1.0
Other insurance expense	0.4	0.4	1.2	0.8
Sales and marketing	1.8	1.4	5.0	3.8
Technology development	6.4	5.3	17.6	12.8
General and administrative	6.3	5.3	17.9	12.3
Total stock-based compensation expense	$ 15.6	$ 12.7	$ 43.6	$ 30.7

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options	$ 11.9	$ 12.0	$ 35.9	$ 28.0
RSUs	3.7	0.7	7.7	2.7
Total stock-based compensation expense	$ 15.6	$ 12.7	$ 43.6	$ 30.7

The total unrecognized expense granted to employees and non-employees outstanding at September 30, 2022 was $109.9 million for the stock options and $46.2 million for the RSUs, with a remaining weighted-average vesting period of 1.5 years for the stock options and 1.7 years for the RSUs.

12. Income Taxes

The consolidated effective tax rate was (3.2)% and (3.5)% for the nine months ended September 30, 2022 and 2021, respectively. The change in effective tax rate over the two periods was predominantly reflective of the change in profit before tax of the Company's Israel subsidiary and uncertain tax positions.

Our unrecognized tax benefits related to tax positions, excluding penalty and interest amounted to $6.8 million as of September 30, 2022, and there was none as of September 30, 2021. The increase was primarily driven by the ongoing implementation of transfer pricing policies. Interest and penalties related to unrecognized tax expense (benefits) are recognized in income tax expense, when applicable. There was no accrual for interest and penalties as of September 30, 2022 and 2021. We believe it is reasonably possible that our unrecognized tax benefits could decrease within the next 12 months upon completion of implementation of transfer pricing policies.

13. Net Loss per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net loss attributable to common stockholders ($ in millions)	$ (91.4)	$ (66.4)	$ (234.1)	$ (171.0)
Denominator:				
Weighted average common shares outstanding — basic and diluted	66,877,100	61,580,145	63,482,945	61,086,238
Net loss per share attributable to common stockholders — basic and diluted	$ (1.37)	$ (1.08)	$ (3.69)	$ (2.80)

The Company's potentially dilutive securities, which include stock options and unvested RSUs, 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 the following potential common shares, presented based on amounts outstanding at each period end, 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.

	Nine Months Ended September 30,	
	2022	2021
Options to purchase common stock	9,936,571	6,032,798
Unvested restricted stock	1,735,651	130,241
Warrants for common stock (1)	412,969	—
Total	12,085,191	6,163,039

(1) Each outstanding warrant of Metromile assumed by the Company are converted automatically into warrants denominated in the Company's common stock with the number of warrants and exercise price adjusted based on the exchange ratio of 0.05263

14. 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 travel expenses in the amount of approximately less than $0.1 million for the three months ended September 30, 2022 and $0.1 million for the nine months ended September 30, 2022. Travel expenses were approximately less than $0.1 million for the three and nine months ended September 30, 2021.

The Company has historically leased office spaces in the United States and The Netherlands from an affiliate. Rental expense in connection with the leased space was approximately less than $0.1 million for the three and nine months ended September 30, 2022 and September 30, 2021. There were no outstanding amounts due from or to related parties as of September 30, 2022 and December 31, 2021.

The Company's Co-Chief Executive Officers, both of whom are also members of the Company's board of directors, are the two sole members of the board of directors of the Lemonade Foundation. The Company contributed 500,000 shares of common stock with a fair market value of $24.36 per share (see Note 10). In connection with the Follow-on Offering as discussed in Note 10, Lemonade Foundation sold 100,000 shares of the contributed shares of the Company. As of September 30, 2022, there were no outstanding amounts due to or from the Lemonade Foundation.

15. Contingencies

The Company is occasionally a party to routine claims or litigation incidental to its business. The Company records accruals for loss contingencies with these legal matters when it is probable that a liability will be incurred, and the amount of the loss can be reasonably estimated. The Company has been made a party to a class action litigation alleging that certain of our business practices were improper. The Company has accrued a liability for this matter in accordance with ASC 450, *Contingencies* ("ASC 450"), and was settled in October 2022.

Metromile Shareholder Litigation Matter

Following the announcement of Metromile's acquisition by the Company, multiple complaints were filed against Metromile and certain former officers and directors alleging that Metromile's disclosures concerning the transaction were incomplete. Metromile also received demands to inspect its books and records under Delaware General Corporation Law Section 220, and one stockholder commenced litigation to enforce inspection rights. All of the foregoing complaints have been voluntarily dismissed with the plaintiffs reserving their rights to seek a fee in connection with each respective litigation. The Company will continue to monitor all legal issues and assess whether to accrue liability in accordance with ASC 450 based on new information and as further developments arise.

16. Geographical Breakdown of Gross Written Premium

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
Jurisdiction	Amount	% of GWP	Amount	% of GWP	Amount	% of GWP	Amount	% of GWP
California	$ 45.9	26.4 %	$ 29.0	24.8 %	$ 101.3	24.7 %	$ 70.4	25.0 %
Texas	26.6	15.3 %	21.7	18.6 %	70.9	17.3 %	55.4	19.6 %
New York	19.1	11.0 %	14.3	12.2 %	49.8	12.1 %	35.2	12.5 %
New Jersey	8.9	5.1 %	5.3	4.5 %	20.1	4.9 %	12.1	4.3 %
Illinois	8.8	5.1 %	5.0	4.3 %	19.8	4.8 %	12.1	4.3 %
Georgia	6.1	3.5 %	4.9	4.2 %	15.5	3.8 %	12.9	4.6 %
Colorado	4.9	2.8 %	3.1	2.7 %	11.8	2.9 %	6.5	2.3 %
Pennsylvania	4.8	2.8 %	3.3	2.8 %	10.7	2.6 %	7.4	2.6 %
Washington	5.6	3.2 %	1.8	1.5 %	10.0	2.4 %	3.9	1.4 %
Virginia	4.4	2.5 %	2.6	2.2 %	9.5	2.3 %	6.0	2.1 %
All other	38.9	22.3 %	25.8	22.2 %	91.3	22.2 %	60.2	21.3 %
	$ 174.0	100.0 %	$ 116.8	100.0 %	$ 410.7	100.0 %	$ 282.1	100.0 %

17. Subsequent Event

On October 14, 2022, the Company entered into an omnibus agreement (the “Omnibus Agreement”) and a warrant agreement (the “Warrant Agreement” and, together with the Omnibus Agreement, the “Agreements”) with Chewy Insurance Services, LLC (the “Warrantholder”) in connection with the execution of an agency agreement on the same date between the Company, Lemonade Insurance Agency, LLC, Lemonade Insurance Company and the Warrantholder. In connection with the Agreements, the Company issued to the Warrantholder a warrant to purchase up to 3,352,025 shares of the Company’s common stock with an exercise price of $0.01 per share, which will vest in installments on a yearly basis for a period of five years, subject to certain performance requirements. Vesting events and thresholds as specified in the Warrant Agreement.

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, Annual Report on Form 10-K, and in our other filings with the Securities and Exchange Commission ("SEC"). 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 on Form 10-K 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, 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, Lemonade Insurance Agency, LLC and Metromile Insurance Company and Metromile Insurance Services.

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, Europe, including the United Kingdom, and the full technology stack to power them.

A brief chat with our bot, AI Maya, is all it takes to get covered with renters, homeowners, pet, car or life insurance, and we expect to offer a similar experience for other insurance products over time. Claims are filed by chatting with 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 margin is 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 typically 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.

Acquisition of Metromile

On July 28, 2022 (the "Acquisition Date"), the Company completed the acquisition of Metromile, Inc. (“Metromile"), a leading digital insurance platform in the United States that offers real-time, personalized auto insurance policies by the mile (the "Metromile Acquisition"). The Company acquired 100% of Metromile's equity through an all-stock transaction based upon the exchange ratio of 0.05263 shares of Lemonade for each outstanding share of Metromile. Our results of operations include those of Metromile from the Acquisition Date through September 30, 2022.

Metromile is a leading digital insurance platform in the United States. With data science at its foundation, Metromile offers real-time, personalized auto insurance policies by the mile instead of the industry's reliance on approximations that have historically made prices unfair. Metromile's digitally native offering is built around the modern driver's needs, featuring automated claims and complementary smart driving features.

Key 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

The COVID-19 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.

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.

While the global economy began to reopen in the first quarter of 2021, and continues to show positive economic growth in the U.S. as the vaccination roll-out has reduced the spread and severity of COVID-19 and variants of the virus, there remains to be an uncertainty about the duration and ultimate impact of COVID-19 and variants of the virus, 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. Management continues to monitor and cannot definitively determine the ultimate financial impact of COVID-19 and variants of the virus, and the related economic conditions at this time.

With respect to our investment portfolio which showed a diversified mix of securities beginning in the third quarter of 2021, and given the conservative nature of our portfolio and investment in high-quality securities, we do not expect a material adverse impact in the value of our investment portfolio, or long-term negative impact on our financial condition, results of operations or cash flows as it relates to COVID-19 and variants of the virus.

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 our 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 subsidiaries 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 had proportional reinsurance covering 75% of our business. Under the proportional reinsurance contracts, which cover all of our products and geographies, we transferred, or “ceded,” 75% of our premium to our reinsurers ("Proportional Reinsurance Contracts"). In exchange, these reinsurers paid 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 opted to manage the remaining 25% of our business with alternative forms of reinsurance.

A portion of Lemonade’s proportional reinsurance program expired on June 30, 2021 and on June 30, 2022. As the business continued to grow and diversify, and with stability in our insurance results, we decreased the overall share of proportional reinsurance from 75% of premium to 55% effective July 1, 2022. In addition, we purchased a reinsurance program to protect us against natural catastrophe risk in the U.S. that exceeds $80 million in losses effective July 1, 2022. Other non-proportional reinsurance contracts were renewed with terms similar to the expiring contracts.

Metromile entered into a Quota Share reinsurance agreement effective January 1, 2022 through June 30, 2023. Under the terms of the agreement, the Company cedes 30% of premiums and losses to reinsurers.

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. Following the Metromile Acquisition on July 28, 2022, we also include gross written premium from the sale of pay-per-mile auto insurance policies within the United States. 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. In addition, following the Metromile Acquisition, we also include earned premiums from the pay-per-mile auto insurance policies which is written for six-month terms. Premium for the policy provides a base rate per month for the entire policy term upon binding of the policy plus a per-mile rate multiplied by the miles driven each day (based on data from the telematics device, subject to a daily maximum).

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. Net earned premiums from the pay-per-mile auto insurance policies is earned over the term of the policy which is written for six-month terms

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, net of investment fees paid to the Company's investment manager. 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, bad debt expense and allocated occupancy costs and related overhead based on headcount. Depreciation and amortization expense is also 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 New York Stock Exchange, 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 directly comparable financial measures prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	($ in millions, except Premium per customer)		($ in millions, except Premium per customer)	
Customers (end of period)	1,775,824	1,363,754	1,775,824	1,363,754
In force premium (end of period)	$ 609.2	$ 346.7	$ 609.2	$ 346.7
Premium per customer (end of period)	$ 343	$ 254	$ 343	$ 254
Annual dollar retention (end of period)	84 %	82 %	84 %	82 %
Total revenue	$ 74.0	$ 35.7	$ 168.3	$ 87.4
Gross earned premium	$ 136.4	$ 79.6	$ 339.2	$ 202.7
Gross profit	$ 8.1	$ 11.7	$ 29.6	$ 23.4
Adjusted gross profit	$ 13.2	$ 15.2	$ 47.0	$ 33.0
Net loss	$ (91.4)	$ (66.4)	$ (234.1)	$ (171.0)
Adjusted EBITDA	$ (65.7)	$ (51.3)	$ (173.4)	$ (133.0)
Gross profit margin	11 %	33 %	18 %	27 %
Adjusted gross profit margin	18 %	43 %	28 %	38 %
Ratio of Adjusted Gross Profit to Gross Earned Premium	10 %	19 %	14 %	16 %
Gross loss ratio	94 %	77 %	90 %	88 %
Net loss ratio	105 %	81 %	97 %	91 %

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 2% 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 and interest 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 income tax expense, depreciation, amortization, stock-based compensation, interest income (expense), net investment income, change in fair value of warrants liability, and other non-cash fair value adjustment on warrants 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 September 30, 2022 and 2021

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	% Change
	($ in millions)			
Revenue				
Net earned premium	$ 50.6	$ 21.5	$ 29.1	135 %
Ceding commission income	16.9	12.3	4.6	37 %
Net investment income	2.6	0.6	2.0	333 %
Commission and other income	3.9	1.3	2.6	200 %
Total revenue	74.0	35.7	38.3	107 %
Expense				
Loss and loss adjustment expense, net	53.3	17.5	35.8	205 %
Other insurance expense	12.1	6.3	5.8	92 %
Sales and marketing	35.8	42.2	(6.4)	(15 %)
Technology development	21.4	14.3	7.1	50 %
General and administrative	40.5	19.6	20.9	107 %
Total expense	163.1	99.9	63.2	63 %
Loss before income taxes	(89.1)	(64.2)	(24.9)	39 %
Income tax expense	2.3	2.2	0.1	5 %
Net loss	$ (91.4)	$ (66.4)	$ (25.0)	38 %

Net Earned Premium

Net earned premium increased $29.1 million, or 135%, to $50.6 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, primarily due to the earning of increased gross written premium and increased retention of ceded written premium under our Proportional Reinsurance Contracts as discussed above under "Reinsurance."

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	% Change
	($ in millions)			
Gross written premium	$ 174.0	$ 116.8	$ 57.2	49 %
Ceded written premium	(98.5)	(88.0)	(10.5)	12 %
Net written premium	$ 75.5	$ 28.8	$ 46.7	162 %

Gross written premium increased $57.2 million, or 49%, to $174.0 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was primarily due to a 30% increase in net added customers year over year driven by the success of our digital advertising campaigns and partnerships. We also continued to expand our geographic footprint and product offerings. We also saw a 35% increase in premium per customer year over year primarily due to an increasing prevalence of multiple policies per customer, growth in the overall average policy value, and continued shift in the mix of underlying products toward higher value policies.

Ceded written premium increased $10.5 million, or 12%, to $98.5 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, primarily due to the impact of the change in reinsurance arrangements. The Company renewed a portion of the proportional reinsurance program expired on June 30, 2021 and on June 30, 2022, which decreased the overall share of proportional reinsurance from 75% of premium to 55% effective July 1, 2022. The Company also purchased a reinsurance program to protect against catastrophe risk in the U.S that exceed

$80 million in losses effective July 1, 2022. Other non-proportional reinsurance contracts were renewed with terms similar to the expired contracts.

Net written premium increased $46.7 million, or 162%, to $75.5 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was primarily due to the $57.2 million, or 49%, increase in gross written premium offset by the increase in ceded written premium of $10.5 million, or 12%, for the three months ended September 30, 2022, as compared to the three months ended September 30, 2021.

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 decreased to approximately 63% for the three months ended September 30, 2022, as compared to approximately 73% for the three months ended September 30, 2021 primarily due to the change in proportional reinsurance contracts.

	Three Months Ended September 30,			
	2022	2021	Change	% Change
	($ in millions)			
Gross earned premium	$ 136.4	$ 79.6	$ 56.8	71 %
Ceded earned premium	(85.8)	(58.1)	(27.7)	48 %
Net earned premium	$ 50.6	$ 21.5	$ 29.1	135 %

Ceding Commission Income

Ceding commission income increased $4.6 million, or 37%, to $16.9 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, consistent with the increase in ceded earned premium related to the proportional reinsurance contracts with third-party reinsurers during the period.

Net Investment Income

Net investment income amounted to $2.6 million for the three months ended September 30, 2022 and $0.6 million for the three months ended September 30, 2021. We mainly invest in cash, money market funds, U.S. Treasury bills, corporate debt securities, asset-backed securities, notes and other obligations issued or guaranteed by the U.S. Government. Net investment income for the period was primarily driven by interest rates on investment balances, and offset by investment expenses of $0.1 million.

Commission and Other Income

Commission and other income increased $2.6 million, or 200%, to $3.9 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, due to growth in premiums placed with third-party insurance companies during the period and an increase in installment fees billed.

Loss and Loss Adjustment Expense, Net

Loss and LAE, net increased $35.8 million, or 205%, to $53.3 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was primarily in line with growth in premium, increase in net retained losses due to change in proportional reinsurance contract and increased claims costs due to impact of inflation. During third quarter of 2022, net incurred losses of $2.2 million was recorded due to Hurricane Ian, which affected our customers primarily in Florida. These increases were partially offset by favorable prior period development.

Other Insurance Expense

Other insurance expense increased $5.8 million, or 92%, to $12.1 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Professional fees and other increased $2.0 million, or 133%, primarily in support of growth and expansion initiatives for new products. Employee-related expense, including stock-based compensation, also increased by $1.5 million, or 63%, as compared to the three months ended September 30, 2021, driven by an increase in underwriting staff to support our continued growth. Amortization of deferred acquisition costs, net of ceding commissions increased $1.2 million, or 200%. Credit card processing fees increased $1.0 million, or 56%, as a result of the increase in customers and associated premium.

Sales and Marketing

Sales and marketing expense decreased $6.4 million, or 15%, to $35.8 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Expense related to brand and performance advertising also decreased by $9.0 million, or 28%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021, as a result of reduced spending on search advertising and other customer acquisition channels. Employee-related expense, including stock-based compensation, increased by $2.6 million, or 36%, as compared to the prior year period, driven by an increase in sales and marketing headcount to support our continued growth and expansion.

Technology Development

Technology development expense increased $7.1 million, or 50%, to $21.4 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Employee-related expense, including stock-based compensation, and net of capitalized costs for the development of internal-use software, increased $4.8 million, or 40%, as compared to the three months ended September 30, 2021, 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 $2.1 million, or 233%.

General and Administrative

General and administrative expense increased $20.9 million, or 107%, to $40.5 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Non-recurring transaction and integration costs of $7.4 million were incurred related to the Metromile Acquisition. Employee-related expense, including stock-based compensation, increased by $3.8 million, or 40%, as we increased finance, legal, business operations and administrative personnel. Depreciation expense increased $3.0 million, or 375%. Legal, accounting and other professional fees increased $1.6 million, or 107%, to support the compliance requirements necessary to operate as a growing global, multi-product line of business and regulated companies. Bad debt expense increased by $1.3 million, or 87%. Software costs increased $0.9 million, or 150%. Lemonade Giveback expense increased by $0.7 million, or 30%, as compared to the prior year period due to accrual during the quarter offset by the decrease in annual donations.

Income Tax Expense

Income tax expense increased $0.1 million, or 5%, to $2.3 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 due to increased tax liability is primarily related to change in profit before tax of our subsidiary in Israel, and uncertain tax positions.

Net Loss

Net loss increased $25.0 million, or 38%, to $91.4 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 due to the factors described above.

Comparison of the Nine Months Ended September 30, 2022 and 2021

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change	% Change
	($ in millions)			
Revenue				
Net earned premium	$ 109.2	$ 51.6	$ 57.6	112 %
Ceding commission income	46.4	31.9	14.5	45 %
Net investment income	4.7	1.0	3.7	370 %
Commission and other income	8.0	2.9	5.1	176 %
Total revenue	168.3	87.4	80.9	93 %
Expense				
Loss and loss adjustment expense, net	105.8	47.0	58.8	125 %
Other insurance expense	30.9	16.3	14.6	90 %
Sales and marketing	111.1	104.4	6.7	6 %
Technology development	56.1	35.4	20.7	58 %
General and administrative	91.1	49.5	41.6	84 %
Total expense	395.0	252.6	142.4	56 %
Loss before income taxes	(226.7)	(165.2)	(61.5)	37 %
Income tax expense	7.4	5.8	1.6	28 %
Net loss	$ (234.1)	$ (171.0)	$ (63.1)	37 %

Net Earned Premium

Net earned premium increased $57.6 million, or 112%, to $109.2 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to the earning of increased gross written premium and increased retention of ceded written premium under our Proportional Reinsurance Contracts as discussed above under "Reinsurance."

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change	% Change
	($ in millions)			
Gross written premium	$ 410.7	$ 282.1	$ 128.6	46 %
Ceded written premium	(262.0)	(210.1)	(51.9)	25 %
Net written premium	$ 148.7	$ 72.0	$ 76.7	107 %

Gross written premium increased $128.6 million, or 46%, to $410.7 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily due to a 30% increase in net added customers year over year driven by the success of our digital advertising campaigns and partnerships. We also continued to expand our geographic footprint and product offerings. We also saw a 35% increase in premium per customer year over year primarily due to an increasing prevalence of multiple policies per customer, growth in the overall average policy value, and continued shift in the mix of underlying products toward higher value policies.

Ceded written premium increased $51.9 million, or 25%, to $262.0 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. A portion of the Company's proportional reinsurance program expired on September 30, 2021. The Company renewed a portion of the proportional reinsurance program expired on June 30, 2021 and on June 30, 2022, which decreased the overall share of proportional reinsurance from 75% of premium to 55% effective July 1, 2022. The Company also purchased a reinsurance program to protect against catastrophe risk in the U.S that exceed $80 million in losses effective July 1, 2022. Other non-proportional reinsurance contracts were renewed with terms similar to the expired contracts.

Net written premium increased $76.7 million, or 107%, to $148.7 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily due to the $128.6 million, or 46%, increase in gross written premium offset by the increase in ceded written premium of $51.9 million, or 25% for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

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 decreased to 68% for the nine months ended September 30, 2022, as compared to 75% for the nine months ended September 30, 2021 primarily due to the change in proportional reinsurance contracts.

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change	% Change
	($ in millions)			
Gross earned premium	$ 339.2	$ 202.7	$ 136.5	67 %
Ceded earned premium	(230.0)	(151.1)	(78.9)	52 %
Net earned premium	$ 109.2	$ 51.6	$ 57.6	112 %

Ceding Commission Income

Ceding commission income increased $14.5 million, or 45%, to $46.4 million for the nine months ended September 30, 2022 compared to nine months ended September 30, 2021, consistent with the increase in ceded earned premium related to the proportional reinsurance contracts with third-party reinsurers during the period.

Net Investment Income

Net investment income increased $3.7 million, or 370%, to $4.7 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. We mainly invest in cash, money market funds, U.S. Treasury bills, corporate debt securities, asset-backed securities, notes and other obligations issued or guaranteed by the U.S. Government. Net investment income for the period was primarily driven by interest rates on investment balances, and offset by investment expenses of $0.3 million.

Commission and Other Income

Commission and other income increased $5.1 million, or 176%, to $8.0 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, due to growth on premium placed with third-party insurance companies during the period and increase in installment fees billed.

Loss and Loss Adjustment Expense, Net

Loss and LAE, net increased $58.8 million, or 125%, to $105.8 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily in line with growth in premium, increase in net retained losses due to change in proportional reinsurance contract and increased claims costs due to impact of inflation. During the third quarter of 2022, $2.2 million was recorded due to net incurred losses from Hurricane Ian which affected our customers primarily in Florida. These increases were partially offset by favorable prior period development.

Other Insurance Expense

Other insurance expense increased $14.6 million, or 90%, to $30.9 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Employee-related expense, including stock-based compensation increased by $6.3 million, or 109%, as compared to the nine months ended September 30, 2021, driven by an increase in underwriting staff to support our continued growth. Professional fees and other also increased $4.2 million, or 102%, primarily in support of growth and expansion initiatives. Credit card fees also increased $2.2 million, or 46% as a result of the increase in customers and associated premium. Amortization of deferred acquisition costs, net of ceding commissions increased $1.9 million, or 119%.

Sales and Marketing

Sales and marketing expense increased $6.7 million, or 6%, to $111.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Employee-related expense, including stock-based compensation, increased by $7.9 million, or 40%, as compared to the prior year period, driven by an increase in sales and marketing headcount to support our continued growth and expansion. Expense related to brand and performance advertising, the largest component of our sales and marketing expenses, decreased by $3.2 million, or 4%, for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, as a result of reduced spending on search advertising and other customer acquisition channels in response to new product offerings. Software expense increased by $0.8 million, or 80%.

Technology Development

Technology development expense increased $20.7 million, or 58%, to $56.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Employee-related expense, including stock-based compensation, net of capitalized costs for the development of internal-use software, increased $15.6 million, or 50%, as compared to the nine months ended September 30, 2021, 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 $3.3 million, or 127%.

General and Administrative

General and administrative expense increased $41.6 million, or 84%, to $91.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Employee-related expense, including stock-based compensation, increased by $13.3 million, or 55%, as we increased finance, legal, business operations and administrative personnel. Nonrecurring transaction costs and integration costs of $8.4 million were incurred related to the Metromile Acquisition. Legal, accounting and other professional fees increased $6.9 million, or 150%, to support the compliance requirements necessary to operate as a growing global, multi-product line of business and regulated companies. Depreciation expense increased $4.4 million, or 176%. Bad debt expense increased by $2.6 million, or 68%. Software cost increased $2.4 million, or 141%. Lemonade Giveback expense increased by $0.7 million, or 30%, as compared to the prior year period due to accrual during the period offset by the decrease in annual donations.

Income Tax Expense

Income tax expense increased $1.6 million, or 28%, to $7.4 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 due to increased tax liability is primarily related to change in profit before tax of our subsidiary in Israel, and uncertain tax positions.

Net Loss

Net loss increased $63.1 million, or 37%, to $234.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 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 and interest 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 and gross profit margin to adjusted gross profit and the related adjusted gross profit margin, respectively for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	($ in millions)			
Total revenue	$ 74.0	$ 35.7	$ 168.3	$ 87.4
Adjustments:				
Loss and loss adjustment expense, net	$ (53.3)	$ (17.5)	$ (105.8)	$ (47.0)
Other insurance expense	(12.1)	(6.3)	(30.9)	(16.3)
Depreciation and amortization	(0.5)	(0.2)	(2.0)	(0.7)
Gross profit	$ 8.1	$ 11.7	$ 29.6	$ 23.4
Gross profit margin (% of total revenue)	11 %	33 %	18 %	27 %
Adjustments:				
Net investment income and interest income	$ (2.9)	$ (0.6)	$ (5.0)	$ (1.0)
Employee-related expense	3.9	2.4	12.1	5.8
Professional fees and other	3.6	1.5	8.3	4.1
Depreciation and amortization	0.5	0.2	2.0	0.7
Adjusted gross profit	$ 13.2	$ 15.2	$ 47.0	$ 33.0
Adjusted gross profit margin (% of total revenue)	18 %	43 %	28 %	38 %

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	($ in millions)			
Numerator: Adjusted gross profit	$ 13.2	$ 15.2	$ 47.0	$ 33.0
Denominator: Gross earned premium	$ 136.4	$ 79.6	$ 339.2	$ 202.7
Ratio of Adjusted Gross Profit to Gross Earned Premium	10 %	19 %	14 %	16 %

Adjusted EBITDA

We define adjusted EBITDA, a non-GAAP financial measure, as net loss excluding income tax expense, depreciation, amortization, stock-based compensation, interest income (expense), net investment income, change in fair value of warrants liability, 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	($ in millions)			
Net loss	$ (91.4)	$ (66.4)	$ (234.1)	$ (171.0)
Adjustments:				
Income tax expense	$ 2.3	$ 2.2	7.4	$ 5.8
Depreciation and amortization	3.8	0.8	6.8	2.5
Stock-based compensation	14.8	12.7	42.8	30.7
Transaction and integration costs (1)	7.4	—	8.4	—
Interest income (expense), net	(0.3)	—	(0.3)	—
Net investment income	(2.6)	(0.6)	(4.7)	(1.0)
Change in fair value of warrants liability	0.3	—	0.3	—
Adjusted EBITDA	$ (65.7)	$ (51.3)	$ (173.4)	$ (133.0)

(1) Includes $6.6 million of retention and severance costs, including $0.8 million of stock-based compensation, related to the Metromile Acquisition.

Liquidity and Capital Resources

As of September 30, 2022, we had $225.0 million in cash, cash equivalents and restricted cash and $835.9 million in investments. 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 September 30, 2022 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 September 30, 2022, cash and short-term investments held by these companies was $306.5 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 September 30, 2022, the total adjusted capital of our U.S. insurance subsidiaries was in excess of its respective prescribed risk-based capital requirements.

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

	Nine Months Ended September 30,	
	2022	2021
	($ in millions)	
Net cash used in operating activities	$ (134.4)	$ (94.7)
Net cash provided by (used in) by investing activities	$ 93.6	$ (807.1)
Net cash provided by financing activities	$ 3.3	$ 649.0

Operating Activities

Cash used in operating activities was $134.4 million for the nine months ended September 30, 2022, an increase of $39.7 million from $94.7 million for the nine months ended September 30, 2021. This reflected the $63.1 million increase in our net loss, primarily offset by increases in unearned premium, unpaid loss and loss adjustment expense and funds held that exceeded the increases in premiums receivable and amounts expected to be recovered from our reinsurance partners and prepaid reinsurance premium. The increase in cash used in operating activities from the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 was primarily due to claim payments, settlements with our reinsurance partners, and increased spend related to growth and expansion.

Cash used in operating activities was $94.7 million for nine months ended September 30, 2021. This resulted from our net loss of $171.0 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, funds held and accrued and other liabilities partially offset by increases in prepaid reinsurance, premiums receivables and amounts expected to be recovered from our reinsurance partners.

Investing Activities

Cash provided by investing activities was $93.6 million for the nine months ended September 30, 2022 primarily due to proceeds from sales and maturities and offset by purchases of U.S. government obligations, corporate debt securities, asset-backed securities, short term investments, cash from the Metromile Acquisition, and property and equipment purchased during the period.

Cash used in investing activities was $807.1 million for the nine months ended September 30, 2021 primarily due to purchases of fixed maturities and property and equipment.

Financing Activities

Cash provided by financing activities was $3.3 million for the nine months ended September 30, 2022 primarily due to proceeds from stock option exercises.

Cash provided by financing activities was $649.0 million for the nine months ended September 30, 2021 primarily due to proceeds received from our Follow-on Offering (as defined in Note 10 - Stockholders' Equity to the unaudited interim condensed financial statements included elsewhere in this Quarterly Report) and proceeds from stock option exercises.

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 and for the foreseeable future. There have been no material changes as of September 30, 2022 to our contractual obligations from those described in our Annual Report on Form 10-K. To the extent our future operating cash flows are insufficient to cover our net losses from catastrophic events, we had $1,060.9 million in cash and investments available at September 30, 2022. We may also seek to raise additional capital through pursuing third-party borrowings, sales of our equity, issuance of debt securities or entrance into new reinsurance arrangements. There can be no assurance that we will be able to raise additional capital on favorable terms or at all.

Critical Accounting Policies and Estimates

Our consolidated 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 initial public offering ("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 and the notes to the unaudited interim condensed consolidated financial statements appearing elsewhere in this Quarterly Report. During the nine months ended September 30, 2022, there were no material changes to our critical accounting policies from those discussed in our Annual Report on Form 10-K.

Recently Issued and Adopted Accounting Pronouncements

See “Note 4 — Summary of Significant Accounting Policies” in the notes to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report for a discussion of accounting pronouncements recently adopted and their impact to our unaudited condensed consolidated financial statements.

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 and corporate issuers 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 September 30, 2022, 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 and reinsurance recoverable. 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 September 30, 2022, 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. A high rate of inflation 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, 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, as of September 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2022.

Changes in Internal Control over Financial Reporting

As discussed elsewhere in this Quarterly Report on Form 10-Q, we completed the Metromile Acquisition on July 28, 2022. The Metromile Acquisition was accounted for as a business combination, and the financial results of Metromile are included in our condensed consolidated financial statements for the period subsequent to the merger. The internal control over financial reporting of Metromile will be excluded from management's assessment of internal control over financial reporting as of December 31, 2022, due to timing and complexity of the merger, and based on the SEC staff guidance that allows extension of the assessment which may not extend beyond one year from the Acquisition Date. Other than the above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is occasionally a party to routine claims or litigation incidental to its business and has been made a party to class action litigation alleging that certain of our business practices were improper. See "Note 15 - Contingencies" in our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report. 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.

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. Other than the following, there have been no material changes to the risk factors identified in the Company's Annual Report on Form 10-K.

We rely on artificial intelligence, telematics, mobile technology, and our digital platforms 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 prohibit or restrict our ability to collect or use this data could thus materially and adversely affect our business, financial condition, results of operations and prospects.

We use artificial intelligence, telematics, mobile technology, and our digital platforms to collect data points that we evaluate in pricing and underwriting certain of our insurance policies, managing claims and customer support, and improving business processes. If federal, state or international regulators or courts were to determine that the type of data we collect, the process we use for collecting this data or how we use it unfairly discriminates against or otherwise violates the rights of some groups of people, laws and regulations could be interpreted or implemented to prohibit or restrict our ability to collect or use this data.

On January 18, 2019, the New York Department of Financial Services ("NYDFS") issued a circular letter to insurers operating in New York expressing concerns about the use of external data sources, algorithms and/or predictive models in insurance underwriting or rating. Specifically, the letter raises concerns about the potential for unfair discrimination and lack of consumer transparency associated with the use of external consumer data. The letter further imposes substantive requirements on insurers authorized to write life insurance in New York using external data sources. Among other things, the letter requires life insurers to independently confirm that the sources of external data do not collect or utilize prohibited criteria. In addition, life insurers must not use external data sources unless they can establish that the use of such data is not unfairly discriminatory. Our decision to enter into new vertical markets and offer life insurance products could also subject us to such substantive requirements in the future. Additionally, other state regulators may also issue regulations or pass legislation imposing similar requirements on insurance activities. If such laws or regulations were enacted federally or in a large number of states in which we operate, it could impact the integrity of our pricing and underwriting processes. A determination by federal or state regulators that the data points we collect and the process we use for collecting this data unfairly discriminates against some groups of people could also subject us to fines and other sanctions, including, but not limited to, disciplinary action, revocation and suspension of licenses, and withdrawal of product forms. Any such event could, in turn, materially and adversely affect our business, financial condition, results of operations and prospects, and make it harder for us to be profitable over time. Although we have implemented policies and procedures into our business operations that we feel are appropriately calibrated to our artificial intelligence and automation-driven operations, these policies and procedures may prove inadequate to manage our use of this nascent technology, resulting in a greater likelihood of inadvertent legal or compliance failures.

Due to Proposition 103 in California, our largest market for car insurance, we are currently limited in our ability to use telematics data beyond miles-driven to underwrite insurance, including data on how the car is driven. This could hinder our ability to accurately assess the risks that we underwrite in other states if they were to pass similar laws or regulations. In three other states where we currently operate, we do not use behavioral telematics data because it is either (a) permitted, but we opted out given uncertainty regarding the impact such data would have on pricing, or (b) it is voluntary (meaning the policyholder has to opt in). As we aim to be a fully national provider of insurance across 49 states and the District of Columbia in the future, we will need to comply with the rules and regulations of each market. At this time, we do not know which of our target markets prohibit, permit with conditions, or fully permit the use of behavioral telematics to set premiums, and if permitted, if this will be of benefit to us in pricing. While we are currently in discussions with regulators to allow the use of telematics to a greater extent to underwrite and price insurance policies, we cannot predict the outcome of these discussions, and there can be no assurance that state regulators will revise regulations accordingly, if at all, nor that current permissive states will further restrict the use of such data. Although there is currently limited federal and state legislation outside of California restricting our ability to collect driving behavior data, private organizations are implementing principles and guidelines to protect driver privacy. Some state regulators have expressed interest in the use of external data sources, algorithms and/or predictive models in insurance underwriting or rating. Specifically, regulators have raised questions about the potential for unfair discrimination, disparate impact, and lack of transparency associated with the use of external consumer data. Regulators may also require us to disclose the external data we use, algorithms and/or predictive matters prior to approving our underwriting models and rates. Such disclosures could put our intellectual property at risk.

Further, the National Association of Insurance Commissioners (“NAIC”), announced on July 23, 2020 the formation of a new Race and Insurance Special Committee (the “Special Committee”). The Special Committee is tasked with analyzing the level of diversity and inclusion within the insurance sector, identifying current practices in the insurance industry that disadvantage minorities and making recommendations to increase diversity and inclusion within the insurance sector and address practices that disadvantage minorities. The Special Committee may look into strengthening the unfair discrimination laws, such as prohibiting the use of credit scores in the underwriting of auto insurance. Any new unfair discrimination legislation that would prohibit us from using data that it currently uses or plans to use in the future to underwrite insurance could negatively impact our business.

Additionally, existing laws, such as the California Consumer Privacy Act of 2018 (“CCPA”), future laws, and evolving attitudes about privacy protection may impair our ability to collect, use, and maintain data points of sufficient type or quantity to develop and train our artificial intelligence algorithms. If such laws or regulations were enacted federally or in a large number of states in which we operate, it could impact the integrity and quality of our pricing and underwriting processes.

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

Recent Sales of Unregistered Securities; Purchases of Equity Securities by the Issuer or Affiliated Purchaser

Except as previously disclosed during the third quarter of 2022, there have been no recent sales of unregistered securities.

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 IPO (the "Registration Statement").

The net proceeds of approximately $335.6 million from our IPO 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 IPO as described in our final prospectus, dated July 1, 2020, filed with the SEC pursuant to Rule 424(b) relating to our Registration Statement.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

		Incorporated by Reference			
Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Merger, dated as of November 8, 2021, by and among Lemonade, Inc., Metromile, Inc., Citrus Merger Sub A, Inc. a wholly-owned subsidiary of Lemonade, Inc. and Citrus Merger Sub B, LLC, a wholly-owned subsidiary of Lemonade, Inc.	S-4	333-261629	2.3	12/14/2021
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
4.2	Form of Warrant Certificate of Metromile, Inc.	S-1	333-253055	4.2	2/12/2021
4.3	Warrant Agreement, dated September 2, 2020, between INSU Acquisition Corp. II and Continental Stock Transfer & Trust Company, as warrant agent	8-K	001-39484	4.1	9/9/2020
4.4*	Amendment No. 1 to Warrant Agreement, dated June 17, 2022, between Metromile, Inc., Continental Stock Transfer & Trust Company, as warrant agent, and American Stock Transfer & Trust Company, LLC, as successor warrant agent				
10.1	Omnibus Agreement, dated as of October 14, 2022, by and between Lemonade, Inc. and Chewy Insurance Services, LLC	8-K	001-39367	10.1	10/20/2022
10.2	Warrant Agreement, dated as of October 14, 2022, by and between Lemonade, Inc. and Chewy Insurance Services, LLC	8-K	001-39367	10.2	10/20/2022
10.3	Metromile, Inc. 2021 Equity Incentive Plan	S-8	333-266362	99.2	7/28/2022
10.4	Metromile, Inc. Amended and Restated 2011 Equity Incentive Plan, as amended	S-8	333-266362	99.3	7/28/2022
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.

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:	November 9, 2022	By:	/s/ Daniel Schreiber
			Daniel Schreiber
			Co-Chief Executive Officer
Date:	November 9, 2022	By:	/s/ Shai Wininger
			Shai Wininger
			Co-Chief Executive Officer
Date:	November 9, 2022	By:	/s/ Tim Bixby
			Tim Bixby
			Chief Financial Officer

AMENDMENT NO. 1 TO WARRANT AGREEMENT

THIS AMENDMENT NO. 1 TO WARRANT AGREEMENT (this "Amendment"), is made and entered into as of June 17, 2022, by and among Metromile, Inc., a Delaware corporation (f/k/a "INSU Acquisition Corp. II", the "Company"), Continental Stock Transfer & Trust Company, a New York limited purpose trust company, as warrant agent ("Continental"), and American Stock Transfer & Trust Company, LLC ("AST"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Warrant Agreement (as defined below).

WHEREAS, the Company and Continental previously entered into that certain Warrant Agreement, dated as of September 2, 2020 (the "Warrant Agreement");

WHEREAS, the Company has entered into an Agreement and Plan of Merger, dated as of November 8, 2021 (the "Merger Agreement"), by and among Lemonade, Inc., a Delaware corporation ("Parent"), Citrus Merger Sub A, Inc., a Delaware corporation and a direct, wholly owned Subsidiary of Parent ("Acquisition Sub I"), Citrus Merger Sub B, LLC, a Delaware limited liability company and a direct, wholly owned Subsidiary of Parent ("Acquisition Sub II"), and the Company;

WHEREAS, pursuant to the Merger Agreement, and subject to the satisfaction or waiver of the conditions specified therein, Acquisition Sub I merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Parent (the "First Merger") and following the First Merger, the Company merged with and into Acquisition Sub II, with Acquisition Sub II surviving as "Metromile, LLC";

WHEREAS, pursuant to the Merger Agreement, at the First Effective Time (as defined in the Merger Agreement), each Company Warrant (as defined in the Merger Agreement) shall, automatically and without any required action on the part of the holder thereof, cease to represent a Company Warrant in respect of Company Common Stock (as defined in the Merger Agreement) and shall be assumed by Parent and converted into a warrant denominated in shares of Parent Common Stock (as defined in the Merger Agreement);

WHEREAS, pursuant to Section 8.2.1 of the Warrant Agreement, Continental has agreed to resign its duties as the Warrant Agent as of the date hereof, and AST has agreed to serve as successor Warrant Agent from and after the date hereof; and

WHEREAS, pursuant to Section 9.8 of the Warrant Agreement, the parties may amend the Warrant Agreement without the consent of the Registered Holders with respect to matters or questions arising under the Warrant Agreement as the parties may deem necessary or desirable and that the parties deem shall not adversely affect the interest of the Registered Holders.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Amendment of the Warrant Agreement. The parties hereby amend, effective as of the date of this Amendment, the Warrant Agreement as provided in this Section 1:

1.1 Change in Warrant Agent. References to "Continental Stock Transfer & Trust Company" in the Warrant Agreement shall be replaced with "American Stock Transfer & Trust Company, LLC" and it shall be understood that "Warrant Agent" shall hereafter refer to AST.

1.2 Change of Address of Warrant Agent. Section 9.2 of the Warrant Agreement is hereby amended to direct that all notices, instructions and communications under the Warrant Agreement to the Warrant Agent shall be delivered to:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Email: Reorg warrants@astfinancial.com

1.3 Responsibilities of Warrant Agent for Cashless Exercise. Section 3.3.3 of the Warrant Agreement is hereby amended to add the following sentences to the end of the existing paragraph:

> "Upon receipt of any notice of exercise on a "cashless basis", the Warrant Agent shall deliver a copy of such notice to the Company and the Company shall promptly calculate and transmit to the Warrant Agent in writing, the number of shares of Common Stock issuable in connection with such exercise. The Warrant Agent shall have no obligation under this Agreement to calculate, the number of shares of Common Stock issuable in connection with any exercise on a "cashless basis", nor shall the Warrant Agent have any duty or obligation to investigate or confirm whether the Company's determination of the number of shares of Common Stock issuable upon such exercise, pursuant to this Section 3.3, is accurate or correct."

2. Resignation of Current Warrant Agent and Appointment of Successor Warrant Agent. Continental hereby resigns as Warrant Agent under the Warrant Agreement, and the Company hereby appoints AST to act as the Warrant Agent for the Company under the Warrant Agreement, and AST hereby accepts such appointment and agrees to perform the same duties and obligations in accordance with the terms and conditions set forth in the Warrant Agreement as modified by this Amendment.

3. Miscellaneous Provisions.

3.1 Successors. All the covenants and provisions of this Amendment by or for the benefit of the parties hereto shall bind and inure to the benefit of their respective successors and assigns.

3.2 Applicable Law. The validity, interpretation, and performance of this Amendment shall be governed in all respects by the laws of the State of New York, without giving effect to conflicts of law principles that would result in the application of the substantive laws of another jurisdiction. Each of the parties hereto hereby agrees that any action, proceeding or claim against it arising out of or relating in any way to this Amendment shall be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive.

Each of the parties hereto hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

3.3 Counterparts. This Amendment may be executed in any number of original or electronic counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

3.4 Effect of Headings. The section headings herein are for convenience only and are not part of this Amendment and shall not affect the interpretation thereof.

3.5 Severability. This Amendment shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Amendment or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Amendment a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

3.6 Effect on Warrant Agreement. Other than as specifically set forth herein, all other terms and provisions of the Warrant Agreement shall remain unaffected by the terms of this Amendment, and shall continue in full force and effect and be enforceable against the parties thereto in accordance with its terms.

3.7 Entire Agreement. The Warrant Agreement, as modified by this Amendment, constitutes the entire understanding of the parties and supersedes all prior agreements, understandings, arrangements, promises and commitments, whether written or oral, express or implied, relating to the subject matter hereof.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

METROMILE, INC.

By: /s/ Regi Vengalil
Name: Regi Vengalil
Title: Chief Financial Officer

CONTINENTAL STOCK TRANSFER & TRUST COMPANY

By: /s/ Henry Farrell
Name: Henry Farrell
Title: Vice President

AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC

By: /s/ Michael Legregin
Name: Michael Legregin
Title: Senior Vice President, Corporate Actions Relationship Management & Operations

[Signature Page to Amendment No. 1 to Warrant Agreement]

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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: November 9, 2022	By:	/s/ Daniel Schreiber
		Daniel Schreiber
		Co-Chief Executive Officer
		(co-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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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: November 9, 2022	By:	/s/ Shai Wininger
		Shai Wininger
		Co-Chief Executive Officer
		(co-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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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: November 9, 2022

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 September 30, 2022, 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: November 9, 2022

By: /s/ Daniel Schreiber

Daniel Schreiber
Co-Chief Executive Officer
(*co-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 September 30, 2022, 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: November 9, 2022

By: /s/ Shai Wininger

Shai Wininger

Co-Chief Executive Officer
(*co-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 September 30, 2022, 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: November 9, 2022

By: /s/ Tim Bixby

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