

NAIC Number: 16023

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Company Name: Lemonade Insurance Company

Line Of Business: Property and Casualty

Group Filing: Y

Group Name: Lemonade Inc Group

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Governance

This submission responds on behalf of Lemonade Insurance Company and Metromile Insurance Company, collectively referred to as “Lemonade Group”. The climate-related risks and opportunities are identified and addressed by the Lemonade Group’s ultimate controlling entity, Lemonade, Inc.

Lemonade, Inc. is a publicly traded, certified B-Corporation and public Benefit corporation, organized in the State of Delaware. The Audit Committee of Lemonade, Inc. is responsible for oversight of Lemonade Inc.’s policies with respect to risk assessment and risk management. This includes the guidelines and policies which govern how the Lemonade Group’s exposure to risk is handled. The Boards of Directors within the Lemonade Group are guided by the work at the Lemonade, Inc. level.

Both the Lemonade, Inc. and Lemonade Group boards are regularly informed about any risks, as necessary. Management of Lemonade, Inc. and the Lemonade Group assess and manage risk, including climate-related risks and opportunities through an Enterprise Risk Management framework. Enterprise Risk Management is currently overseen by Lemonade Group’s Internal Audit. Risk owners perform periodic self-assessment of risks in the areas of strategy, financial, insurance, operational, and legal/compliance. Mitigating action plans are defined to address key risks. Internal audit monitors completion of the mitigation plans and periodically reports completion status to the Audit Committee.

Climate-related risks and opportunities are monitored throughout the organization and included in the risk areas noted above as applicable.

Strategy

Lemonade Group's car, renters and homeowners insurance businesses are exposed to the risk of severe weather conditions and other catastrophes. Severe weather events include, but are not limited to, winter storms, rain, hail, and high winds. The incidence and severity of weather conditions are largely unpredictable. Catastrophes can be caused by various events, such as wildfires, tornadoes, tsunamis, hurricanes, tropical storms, earthquakes, windstorms, hailstorms, severe thunderstorms, fires, and other non-natural events such as explosions, riots, terrorism, or war.

The incidence and severity of severe weather conditions and catastrophes are inherently unpredictable and the occurrence of one catastrophe does not render the possibility of another catastrophe greater or lower. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. In particular, severe weather and other catastrophes could significantly increase our costs due to a surge in claims following such events and/or legal and regulatory changes in response to catastrophes that may impair our ability to limit our liability under our policies. Severe weather conditions and catastrophes can cause greater losses for us, which can cause our liquidity and financial condition to deteriorate. Resulting reductions in our capital could materially adversely affect our ability to underwrite new insurance policies. In addition, we may not be able to obtain reinsurance coverage at reasonable rates and in amounts adequate to mitigate the risks associated with severe weather conditions and other catastrophes. While we only work with reinsurers whom we believe have acceptable credit, if our reinsurers are unable to pay for the claims for which they are responsible, we could be exposed to additional liability, which could have a material adverse effect on our business and results of operations.

Climate change may affect the occurrence of certain natural events, such as an increase in the frequency or severity of wind and thunderstorm events, eruptions of volcanoes, and tornado or hailstorm events due to increased convection in the atmosphere; more frequent wildfires in certain geographies; higher incidence of deluge flooding and the potential for an increase in severity of the hurricane events due to higher sea surface temperatures. Additionally, climate change may cause an impact on the demand, price and availability of cars, homeowners and renters insurance and reinsurance coverages, as well as the value of our investment portfolio.

Due to significant variability associated with future changing climate conditions, we are unable to predict the impact climate change will have on our business.

Lemonade Group's car insurance products are designed to encourage low mileage and environmentally-conscious drivers. As part of our environmentally-conscious business model, we built Lemonade Insurance Company's car insurance product to protect against climate risks that vehicles present, by planting trees to help clean up the effects of policyholders carbon emissions.

We take into account the covered car's mileage, as well as how many miles per gallon the car gets. Other factors include fuel type—does the tank take regular gas or diesel? Is the car a hybrid? Then, we estimate what's known as the Tree Absorption Rate (TAR), which predicts

how much carbon a particular tree will absorb over its 100-year lifespan. Processing all of these figures gives the Lemonade Group a specific number of trees to plant.

For instance, the Lemonade Group estimates that a gas-powered car getting 25 miles-per-gallon would require 4 trees to be planted to clean up for every 10,000 miles driven. The Lemonade Group is working on this program together with our non-profit partners, One Tree Planted.

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. 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.

The resiliency of Lemonade Group's financial strategy depends primarily on our ability to transfer catastrophe risk to our reinsurers. Lemonade Group has purchased coverage for catastrophe and our other reinsurance contracts are designed to limit our overall exposure to the risk of loss that may be created by climate change.

Lemonade also prioritizes climate action via our Lemonade Giveback. Since 2017, Lemonade has donated over \$2M to climate organizations, including: 305,562 trees planted, shelter, food, and veterinary care given to 73,703 animals, and the building of 43 water projects, providing clean water for 12,434 people for life.

Risk Management

The Lemonade Group uses analytical models to assess and predict its exposure to catastrophe losses. Climate-related risks, along with other risks, are identified, assessed and managed through Lemonade Inc. and the Lemonade Group's enterprise risk management.

Enterprise risk management is currently overseen by Internal Audit. Risk owners perform periodic self-assessment of risks in the areas of strategy, financial, insurance, operational, and legal/compliance. Mitigating action plans are defined to address key risks. Internal audit monitors completion of the mitigation plans and periodically reports completion status to the Audit Committee. Climate change may affect the occurrence of certain natural events, such as an increase in the frequency or severity of wind and thunderstorm events, eruptions of volcanoes, and tornado or hailstorm events due to increased convection in the atmosphere; more frequent wildfires in certain geographies; higher incidence of deluge flooding and the potential for an increase in severity of the hurricane events due to higher sea surface temperatures. Additionally, climate change may cause an impact on the demand, price and

availability of car, homeowners and renters insurance and reinsurance coverages, as well as the value of our investment.

Metrics and Targets:

The Lemonade Group uses the following analytical models to assess and predict its exposure to catastrophe losses:

1. Real time catastrophe management; we are using various weather external data sources integrated into our own platform, Watchtower, in order to track weather events in real-time.
2. On the offline / research level; we use both internal and external catastrophe models to track our catastrophe exposure. One of the main Key Performance Indicators that we use to track our catastrophe exposure is AAL/TIV (average annual loss / total insured value).
3. Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, and the related risks have been assessed on a group level via Earthly. Our goal is to ensure our overall AAL/TIV will remain constant or decrease as we're growing our book.