Lemonade

Investor Day
November 15 2022

Safe Harbor

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this presentation that do not relate to matters of historical fact should be considered forward-looking statements, including statements regarding our anticipated financial performance, including our financial outlook for the full year 2022, our expectations regarding our long term assets, our average multi-year loss ratio and expense ratio, our industry, business strategy, plans, goals and expectations concerning our market position, future operations and other financial and operating information. These statements are neither promises nor guarantees, but 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, including, but not limited to, the following: our history of losses and the fact that we may not achieve or maintain profitability in the future; risks related to our ability to retain and expand our customer base and product offerings; the risk that the "Lemonade" brand may not become as widely known as incumbents' brands or the brand may become tarnished; the denial of claims or our failure to accurately and timely pay claims; our ability to attain greater value from each user; the novelty of our business model and its unpredictable efficacy and susceptibility to unintended consequences; risks related to the possibility that we could be forced to modify or eliminate our Giveback; risks related to the examinations and other targeted investigations by our primary and other state insurance regulators; our limited operating history; our ability to manage our growth effectively; risks related to the intense competition in the segments of the insurance industry in which we operate; risks related to the availability of reinsurance at current levels and prices; our exposure to counterparty risks; our ability to maintain our risk-based capital at the required levels; risks related to the operation, development, and implementation of our proprietary artificial intelligence algorithms and telematics based pricing model; risks related to our dependence 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; risks related to the loss of personal customer information as a result of security incidents or real or perceived errors, failures or bugs in our systems, website or app; risks related to our actual or perceived failure to protect customer information and other data, respect customers' privacy, or comply with data privacy and security laws and regulations; risks related to our ability to comply with extensive insurance industry regulations and additional regulatory requirements specific to other vertical markets that we enter or have entered; risks related to our ability to successfully combine the businesses of Lemonade and Metromile and realize the anticipated benefits of the merger; within the anticipated timeframes or cost expectations or at all; the ability to maintain relationships with Lemonade's and Metromile's respective employees, customers, other business partners and governmental authorities; and risks related to the our inability to predict the impacts of severe weather events and other catastrophes, including the effects of climate change and COVID-19 on our business, and the global economy generally. These and other important factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 1, 2022, in our Quarterly Report on Form 10-Q for the period ended September 30, 2022 and in our other filings with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this presentation. Any such forward-looking statements represent management's beliefs as of the date of this presentation. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change.

Today, we hope to demonstrate that LMND has:

A **structural technological advantage** that will manifest as a superior loss-cost and expense-load

An inbuilt edge in **acquiring & delighting** new entrants, whose full value we'll unlock as **we grow with them**

An advantaged long-term business model, and a clear **path to profitability**

Today’s agenda:

Daniel Schreiber

Co-CEO & Cofounder

Strategy

Maya Prosor

Chief Business Officer

Products

Tim Bixby

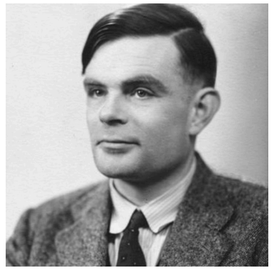
Chief Financial Officer

Financial

Q&A

Lemonade

Daniel Schreiber
November 15 2022



Alan Turing,
1951

“It is customary to offer a grain of comfort, in the form of a statement that some peculiarly human characteristic could never be imitated by a machine. I cannot offer such comfort!”

Generative AI

Self-Supervised Learning

(Foundation Models: GPT3, DALL-E, Stable Diffusion…)

Birth of AI

Big Data +

Machine & Deep Learning

(image & speech recognition, AlphaGo, autonomous driving)

Symbolic AI

(DARPA, Checkers)

Big Computers +

GOFAI

(Deep Blue > Kasparov in ’97)

2022

First AI Winter

(Moravec's paradox)

Second AI Winter

Expert Systems

(Rules derived from experts)

```
>> Write a Shakespearean sonnet about AI and insurance
```

GPT3

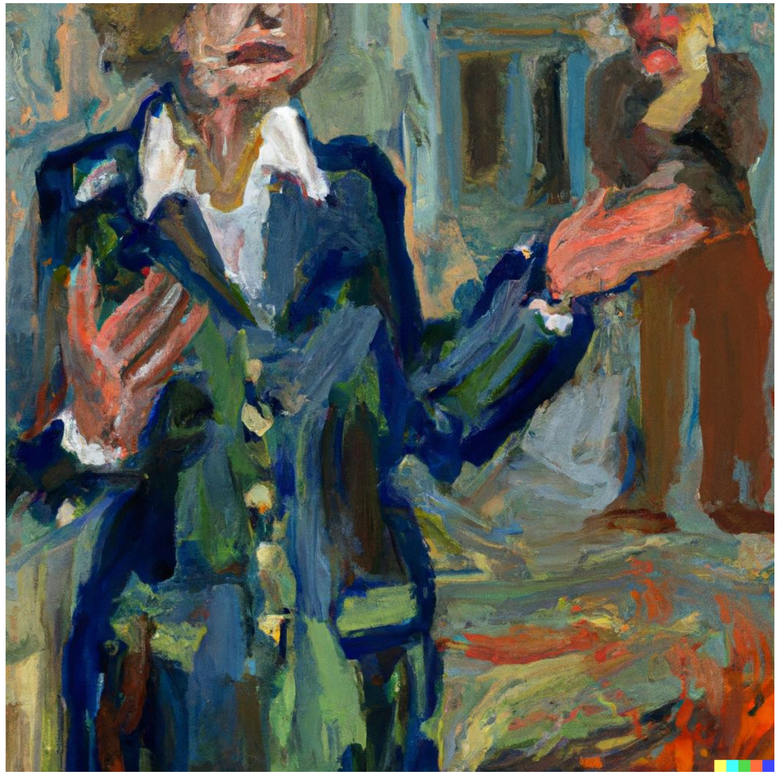
When I do think of insurance, 'tis but
To ponder how AI doth make it better.
With nimble speed and keenest eye,
The claims and coverages do it spy;
And in a trice, with little fuss
The benefits and the best rates thus
Are found and given with but a click;
So, fairest insurance, I do thee praise
For being made more excellent with AI!

Shakespearean sonnet about AI and insurance

GPT3

>> Draw an impressionist painting an insurance adjuster denying coverage after a fire

DALL·E



An impressionist painting of an insurance adjuster denying coverage after a fire

DALL·E

>> Render a photo of an insurance agent made out of a salad on a table

DALL·E

An insurance agent made out of a salad on a table

DALL·E

>> Create a 1960s photo of a despondent insurance broker in a red dress sitting at a desk full of paperwork, with florescent lighting, taken using a 50mm lens, expired CineStill 800t film, and an oversaturated filter

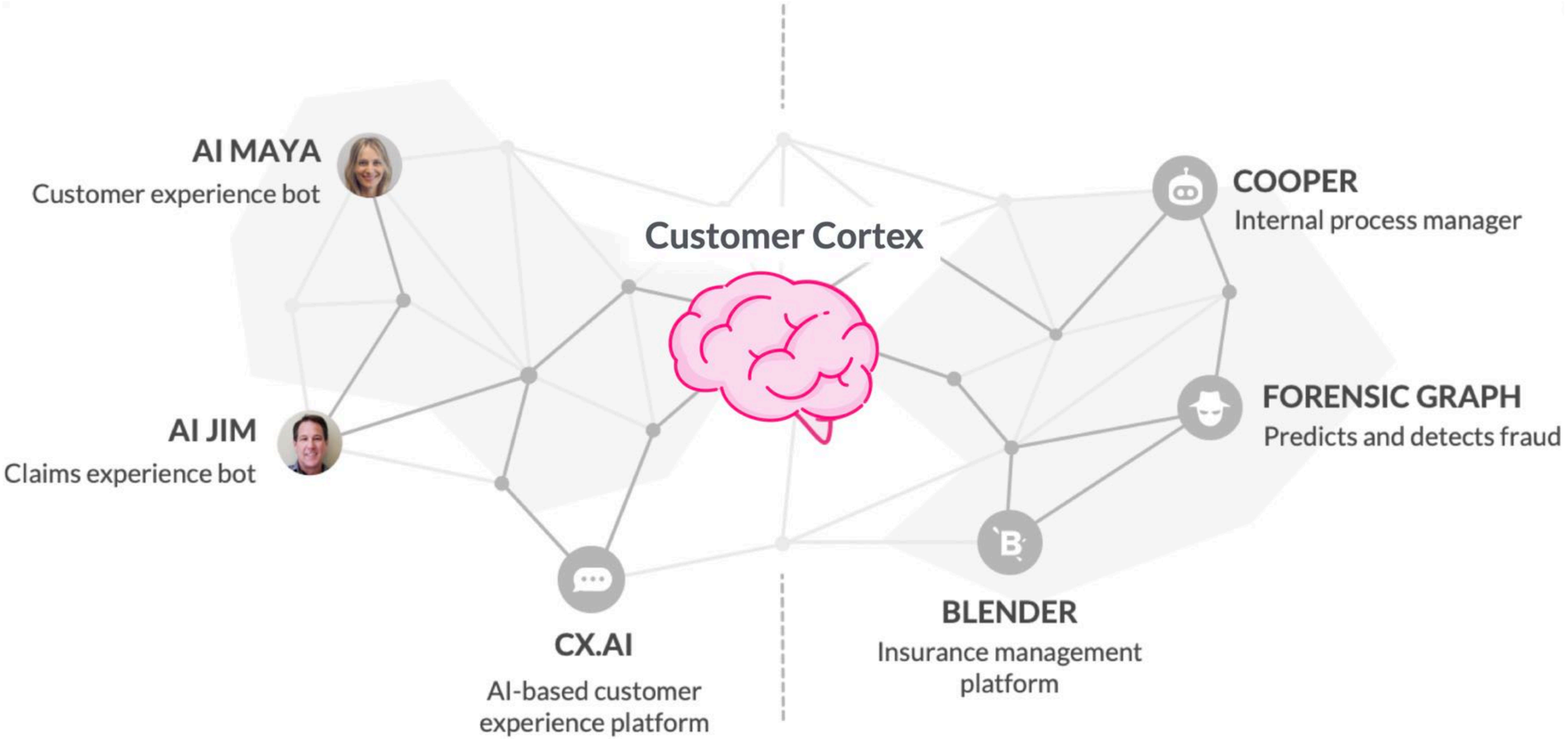
DALL·E

Photo of a despondent insurance broker in a red dress in the 1960s

DALL·E

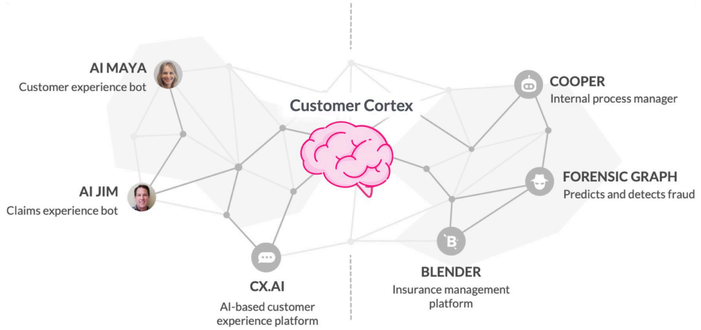
The stunning progress in AI brings us to the first of two pictures drawn by Lemonade for our IPO prospectus

>> Draw a schematic of insurance as a neural network

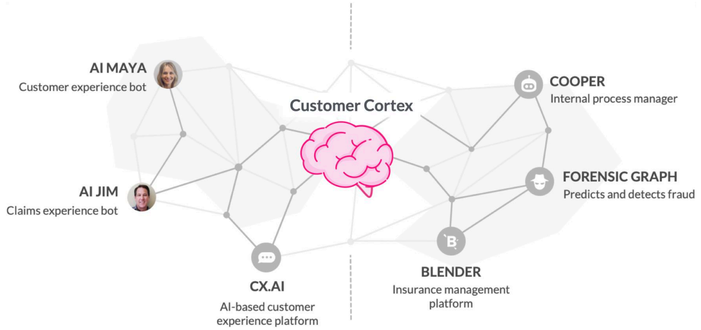


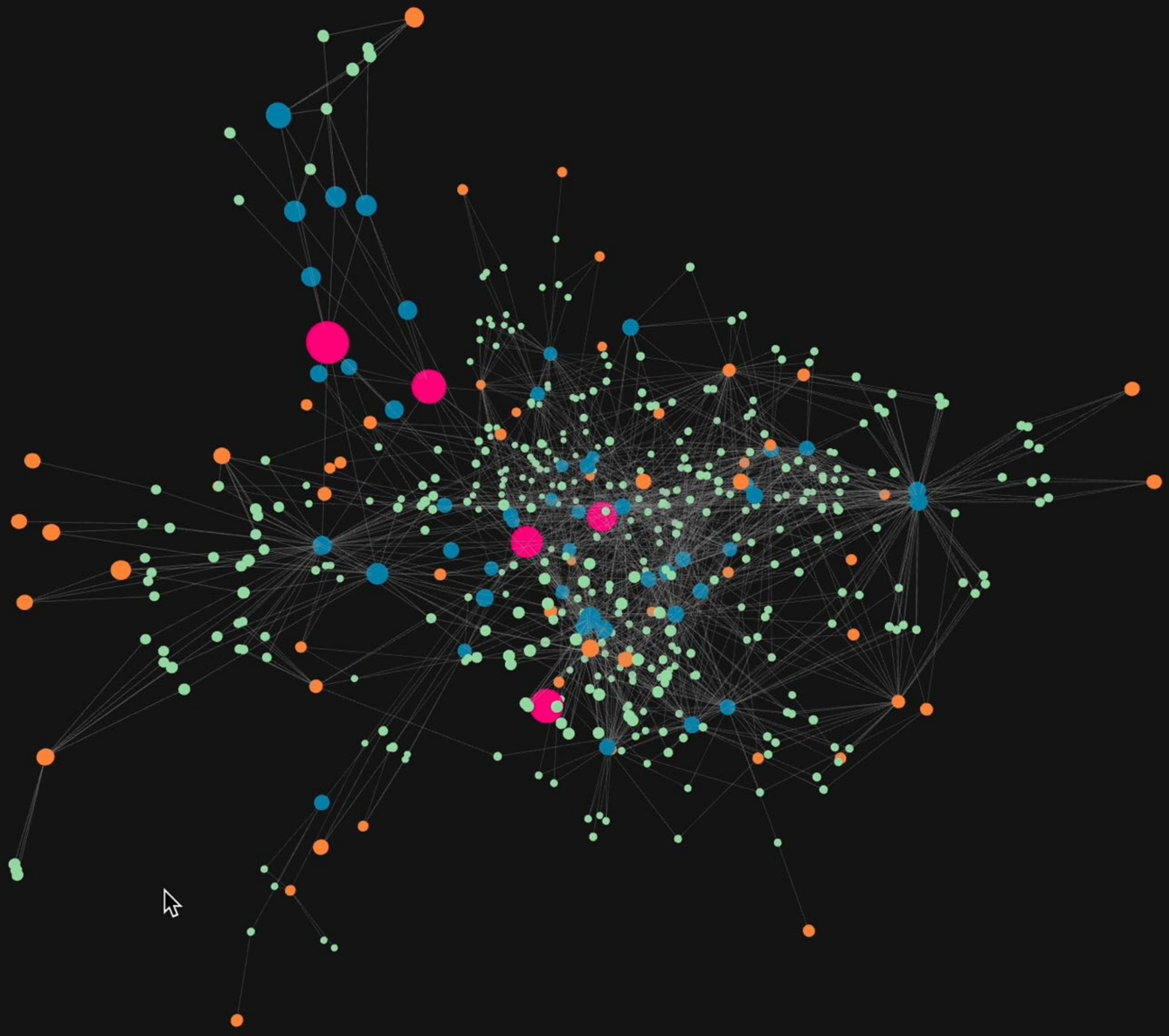
insurance as a neural network

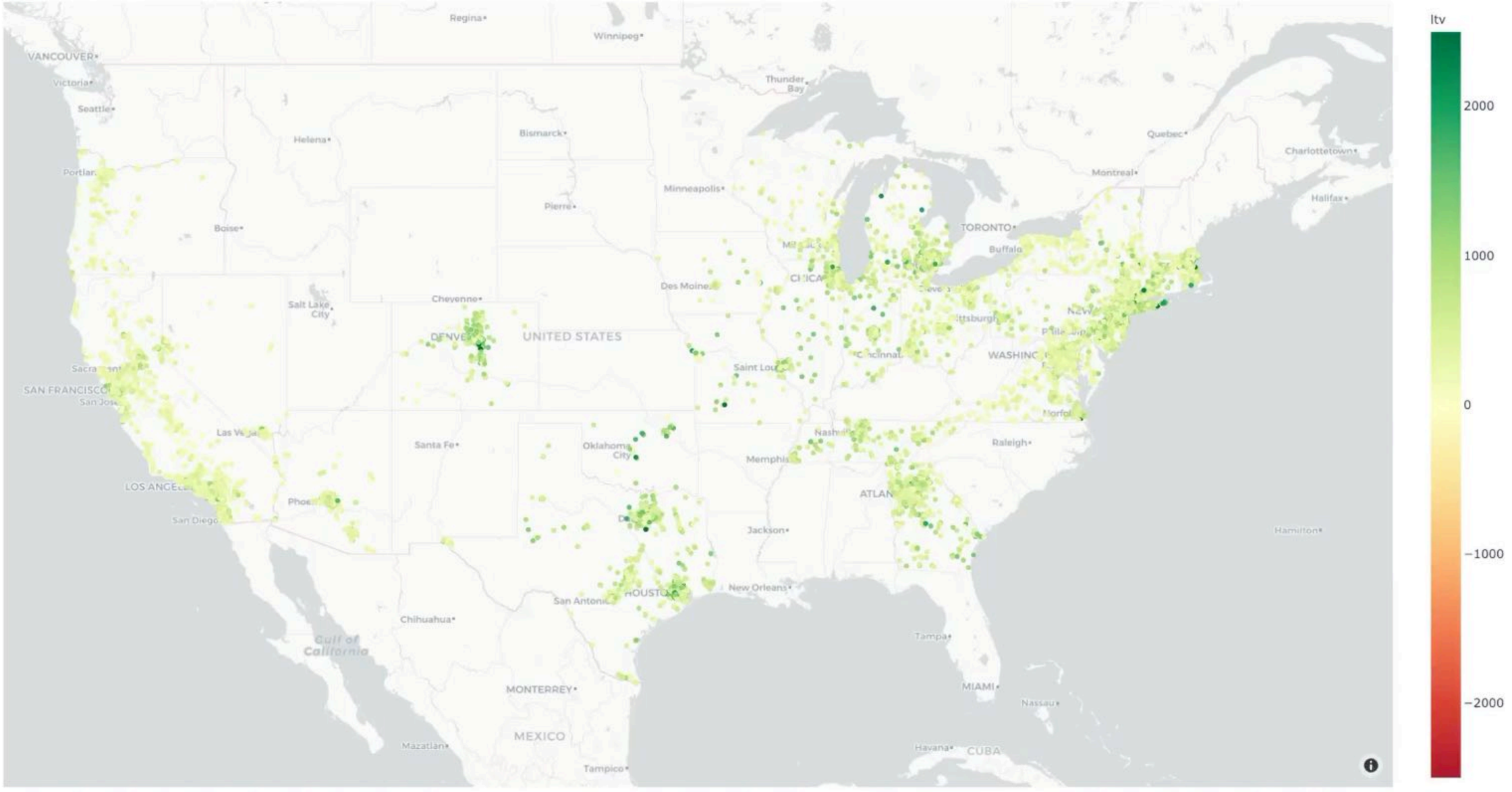
We've used hundreds of millions of customer interactions, and 160TB of textured data, to train about 50 machine learning models.



But the power of our neural network derives less from the sheer **tonnage** of our data, than from their **interconnectedness**.






ltv
2000
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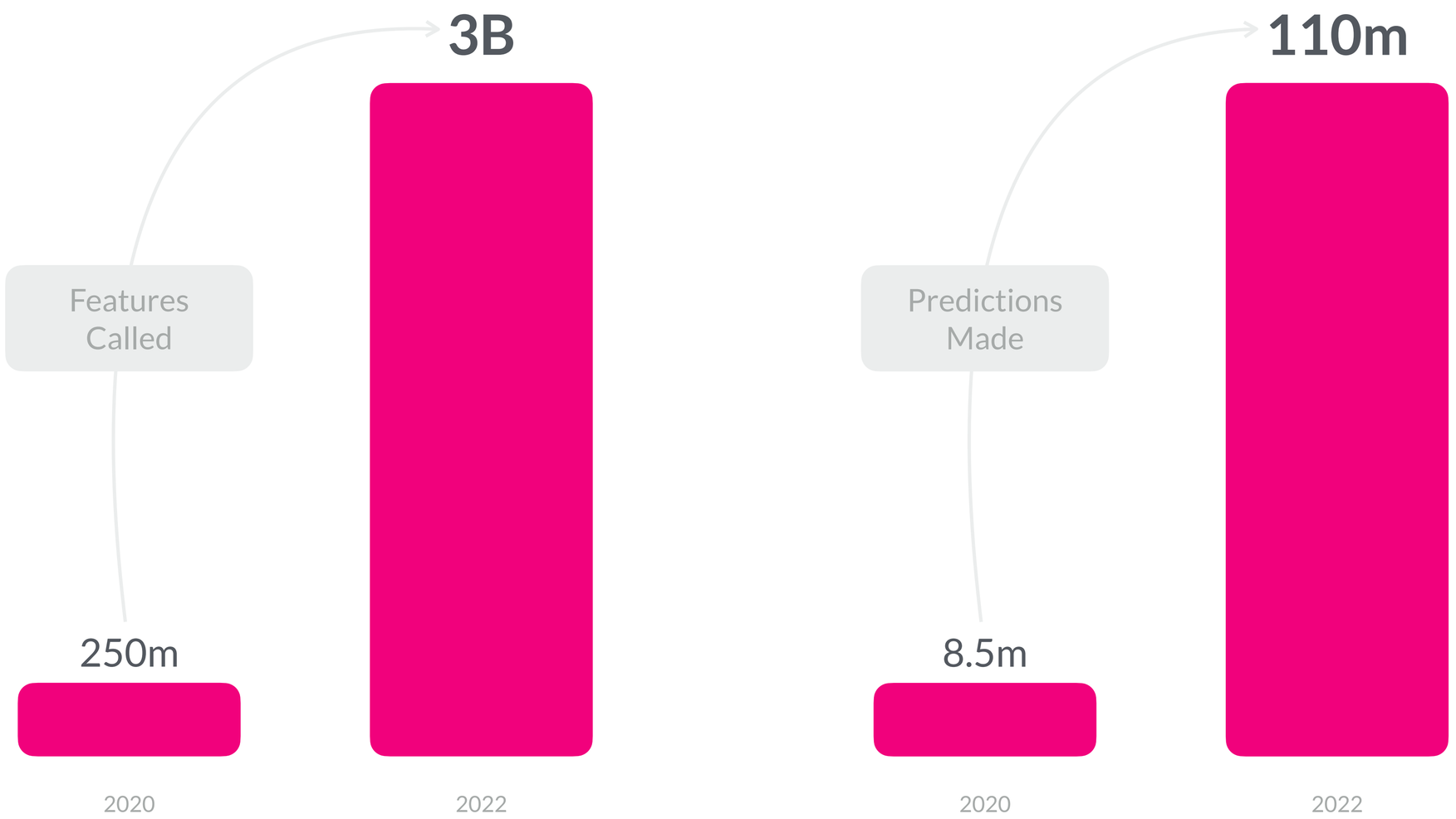
UNITED STATES
MEXICO
CUBA
version=LTV 1 - Q4-19
LTV 1 - Q4-19
LTV 2 - Q2-20
LTV 3 - Q4-20
LTV 4 - Q2-21
LTV 5 - Q4-21
LTV 6 - Q2-22

Exponential Progress

Flywheel spinning fast, and getting faster



The upshot: More for Less

More

More Delight

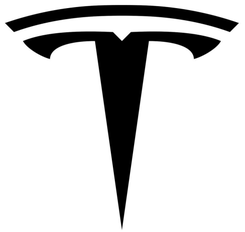
BUSINESS INSIDER

“The cheerless customer service representative at Liberty Mutual had about half the personality of Lemonade’s chatbot”

More Delight

Net Promotor Score familiar from Apple & Tesla

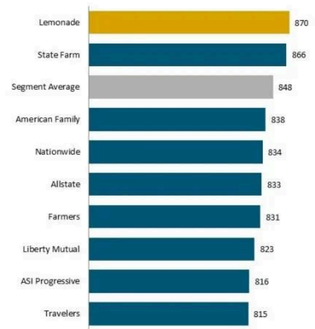
Lemonade



More Delight

Award winning insurance

CUSTOMER SATISFACTION
J.D. POWER AND ASSOCIATES®
SINCE 1968



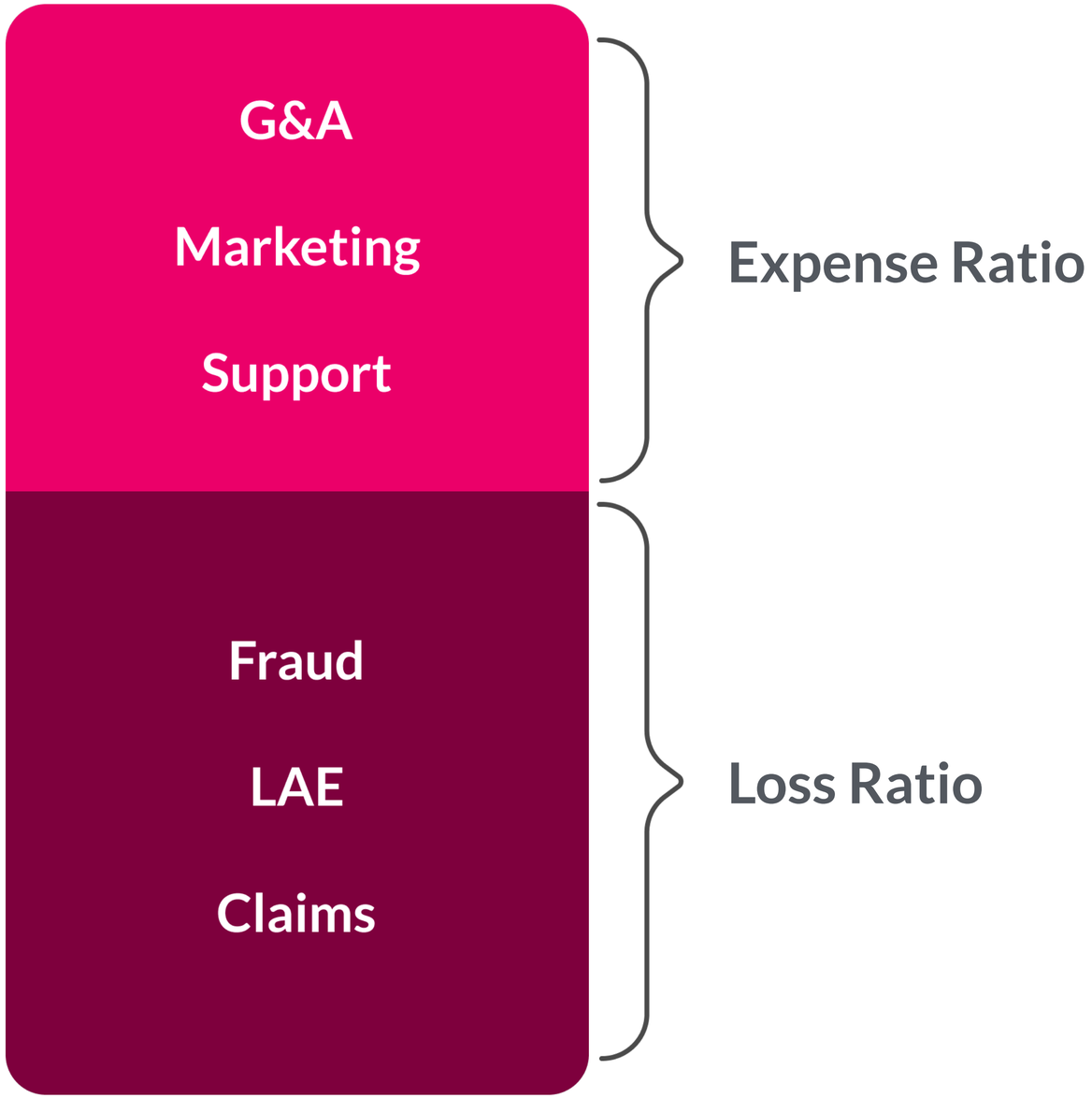
Forbes
America's Best Insurance
2023

"Using AI to approve coverage in 90 seconds and pay claims in as little as three minutes"

BEST
U.S.News & WORLD REPORT
RANKINGS

"Lemonade is No. 1 in our *Best Homeowners Insurance Companies* of 2022"

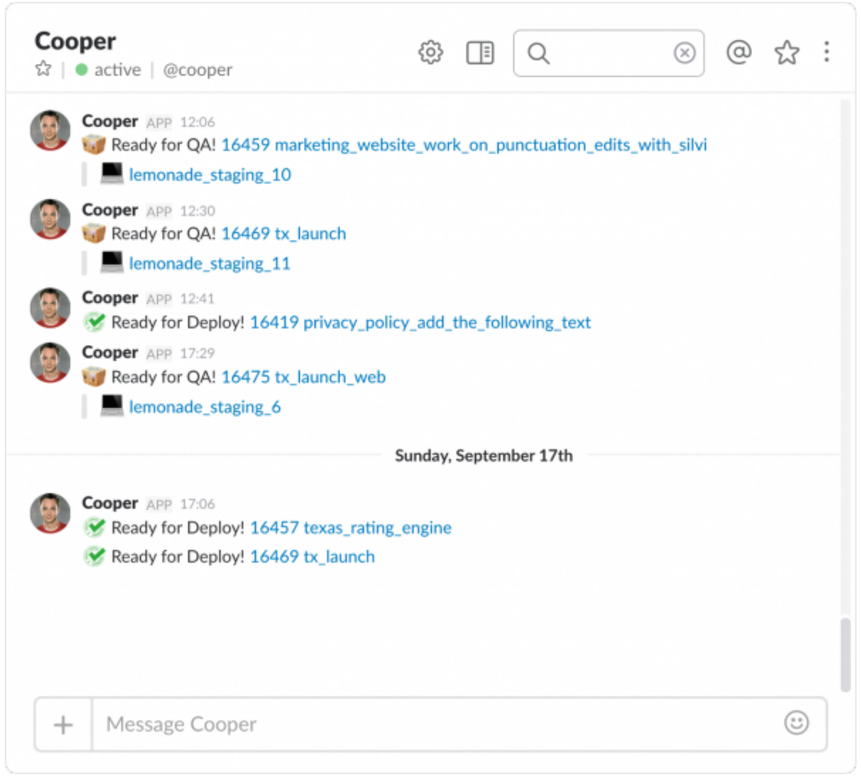
For Less


G&A
Marketing
Support
Fraud
LAE
Claims
Expense Ratio
Loss Ratio

G&A
Marketing
Support

Fraud
LAE
Claims

Expense Ratio



Cooper monitors servers, handles tasks, instantiates virtual environments, pushes >12,000 software builds into production yearly, **saving ~10,000 (human) dev hours.**

G&A
Marketing
Support

Fraud
LAE
Claims

Expense Ratio

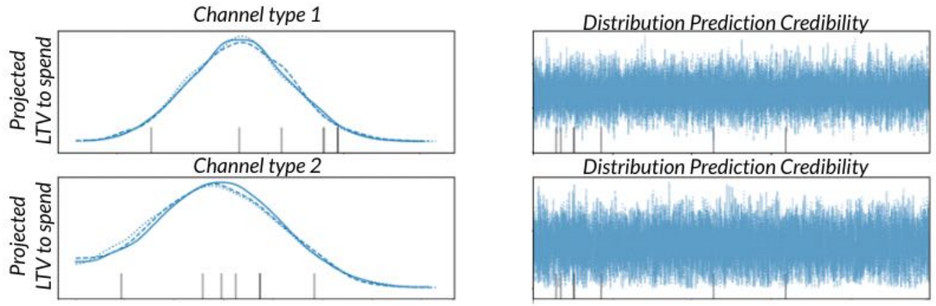
AI Maya and our APIs sell 98% of Lemonade's policies, morphing between millions of onboarding flows.

As a point of reference: ~95% of incumbents' homeowners policies are sold by humans, taking ~15% of premiums, in perpetuity, for their efforts.

G&A
Marketing
Support

Fraud
LAE
Claims

Expense Ratio



Machine-learning models generate LTV predictions for every customer, every campaign, every product and every geo.

These models govern 86% of our marketing spend.

G&A
Marketing
Support

Fraud
LAE
Claims

Expense Ratio

CX.ai handles about ⅓ of all customer requests, including scheduling items, adding spouses, moving home and much more, with a CSAT score of 4.5

G&A
Marketing
Support

Fraud
LAE
Claims

Loss Ratio

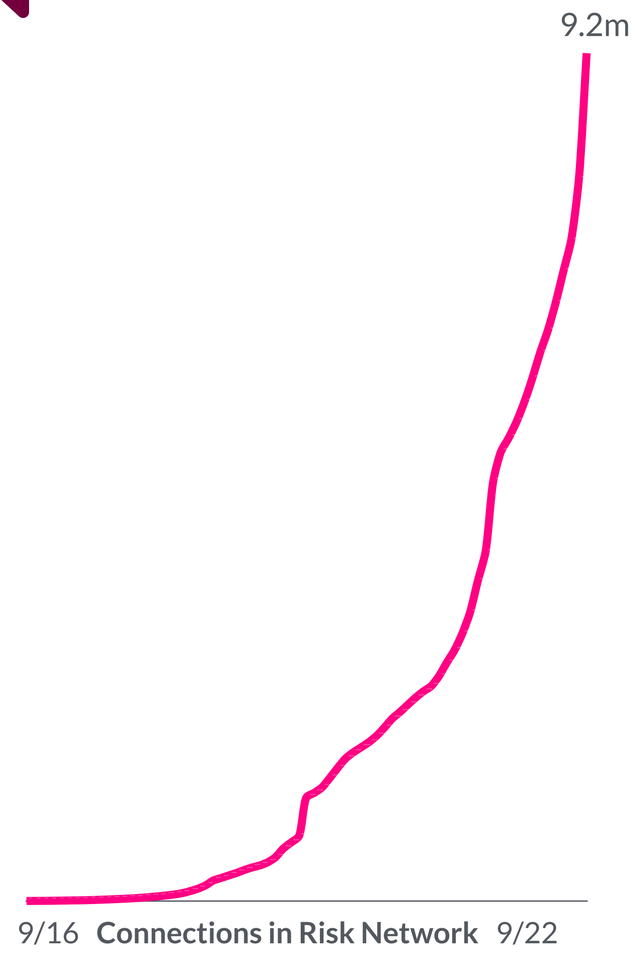
AI Jim takes first notice of loss (FNOL) for 98% of claims, and handles 45% end-to-end, with a level of accuracy that surpasses humans.

Excluding Metromile

G&A
Marketing
Support

Fraud
LAE
Claims

Loss Ratio

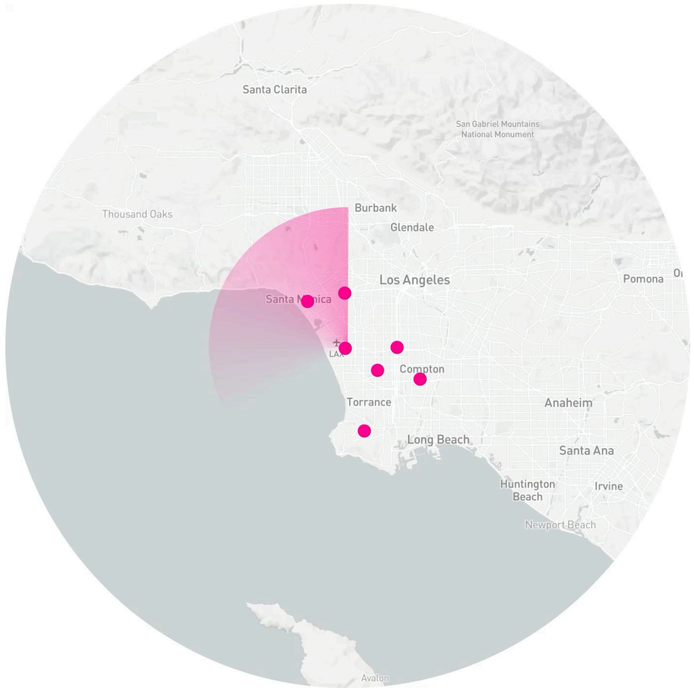


Fraud algorithms flagged over >$100m in fraudulent claims, and detected doctored documents in $12m worth of claims.

G&A
Marketing
Support

Fraud
LAE
Claims

Loss Ratio

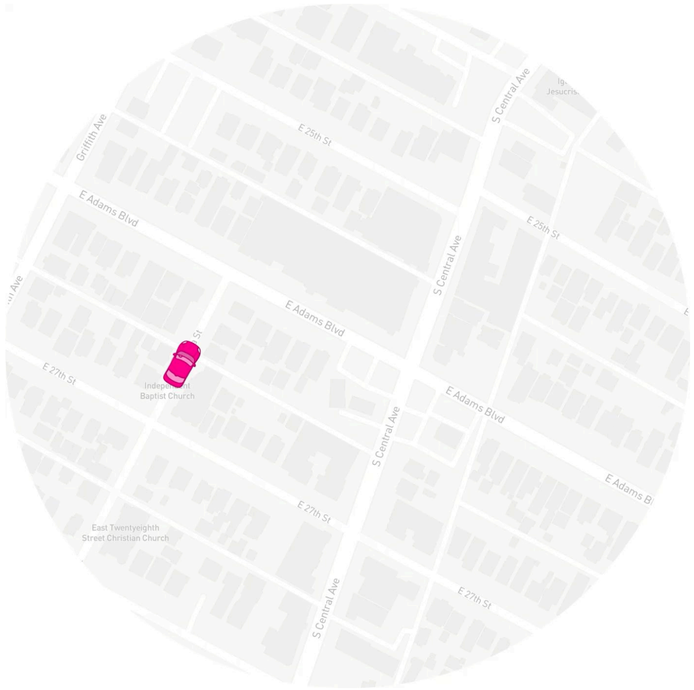


Watchtower tracks wildfires and weather, automatically halting marketing, and instituting a delayed-start-date for affected areas.

G&A
Marketing
Support

Fraud
LAE
Claims

Loss Ratio

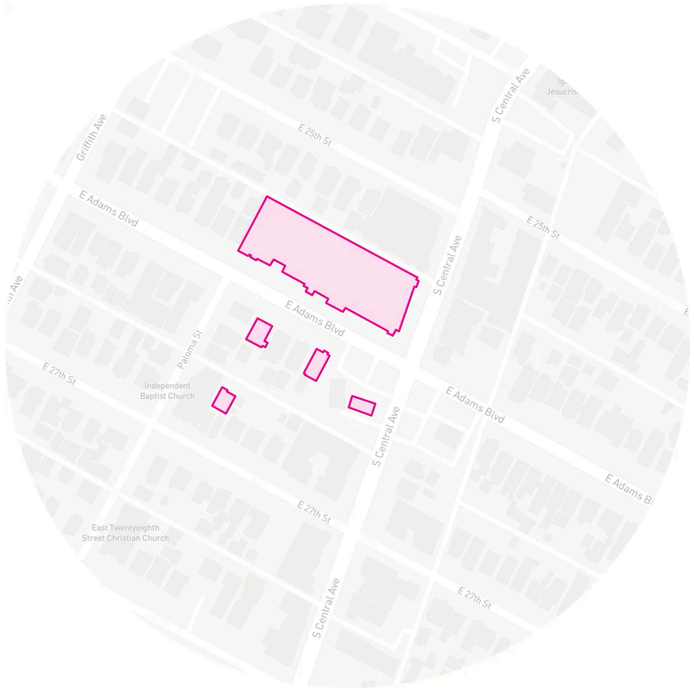


Telematics, continuously used by >90% of customers, lowers LAE, lowers adverse selection, and enables pricing at a level of precision unavailable to legacy systems.

G&A
Marketing
Support

Fraud
LAE
Claims

Loss Ratio

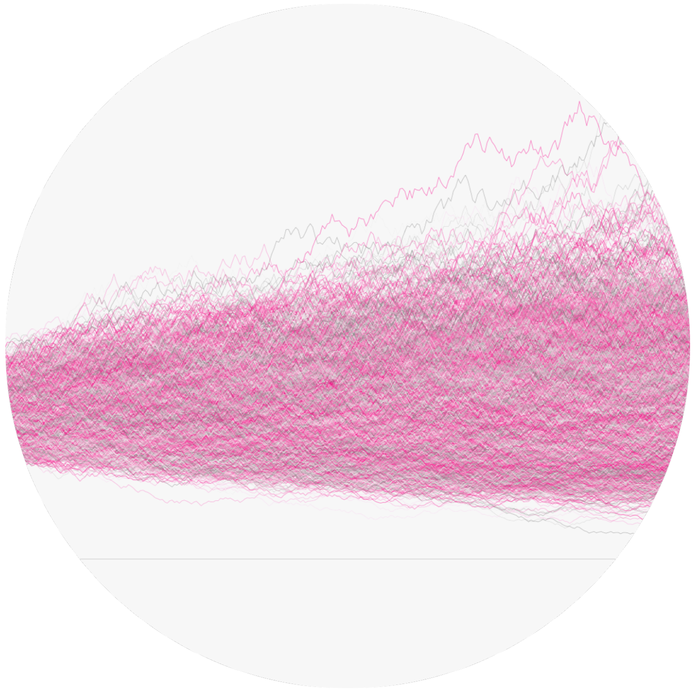


Computer vision and **Natural Language Processing** (NLP) detect risky homes for underwriting review, with a hit rate of ~80%.

G&A
Marketing
Support

Fraud
LAE
Claims

Loss Ratio



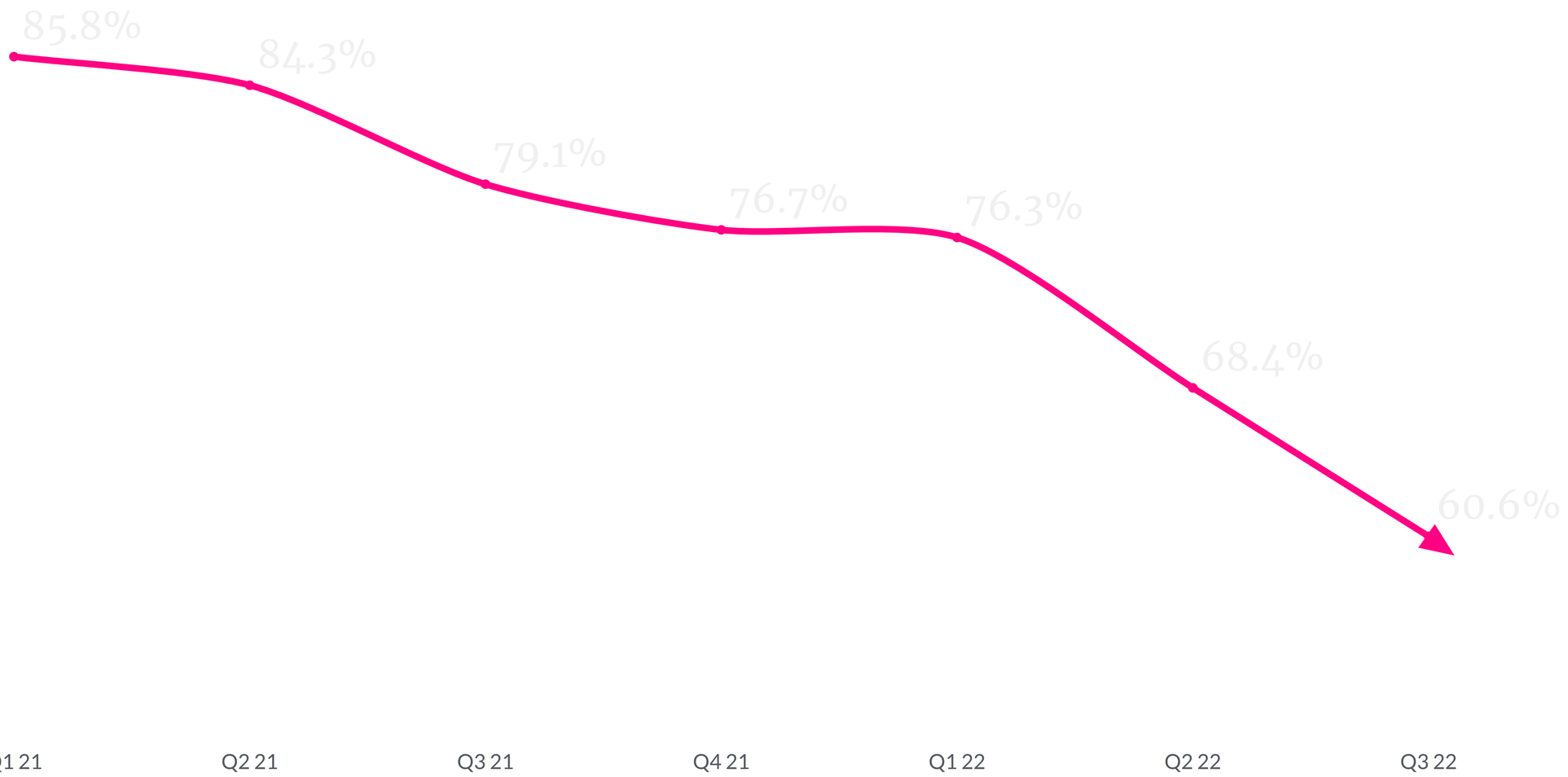
Machine Learning and **Deep Learning** match rate and risk with unrivaled precision, forming the basis of our newest rate filings.

“But *everyone’s* doing AI. Right?”

“So why aren’t we seeing it
in the numbers?”

We Are Seeing It In The Numbers

Predicted Cohort Lifetime Loss Ratio

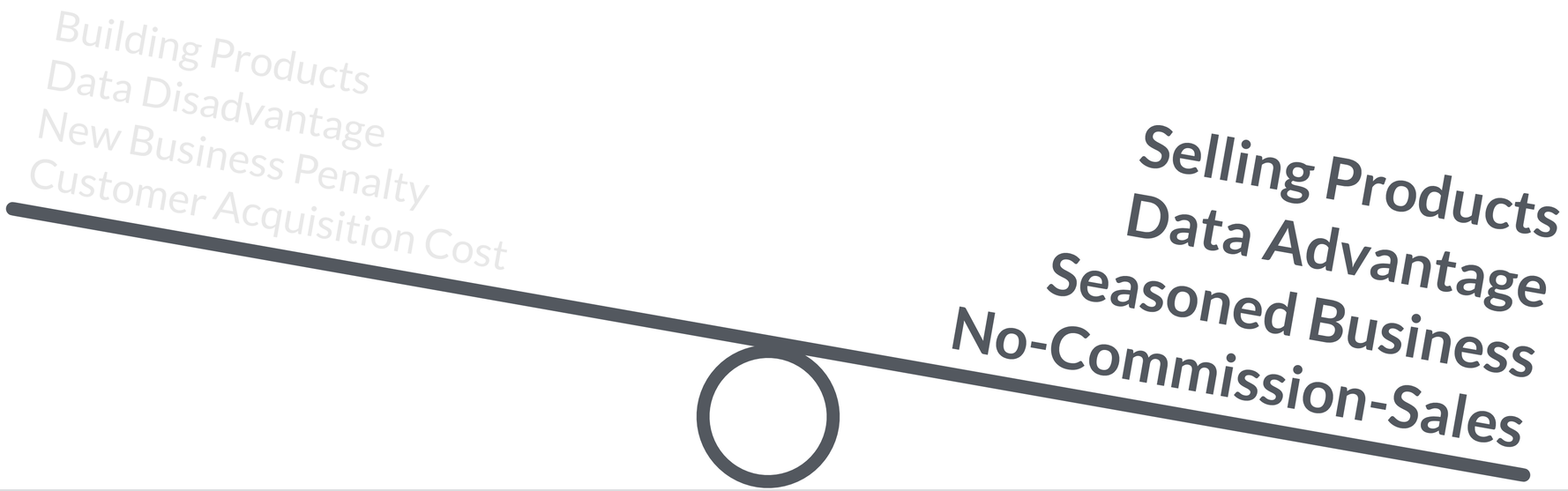


Front Loaded

Near-term Burdens Become Long-term Assets

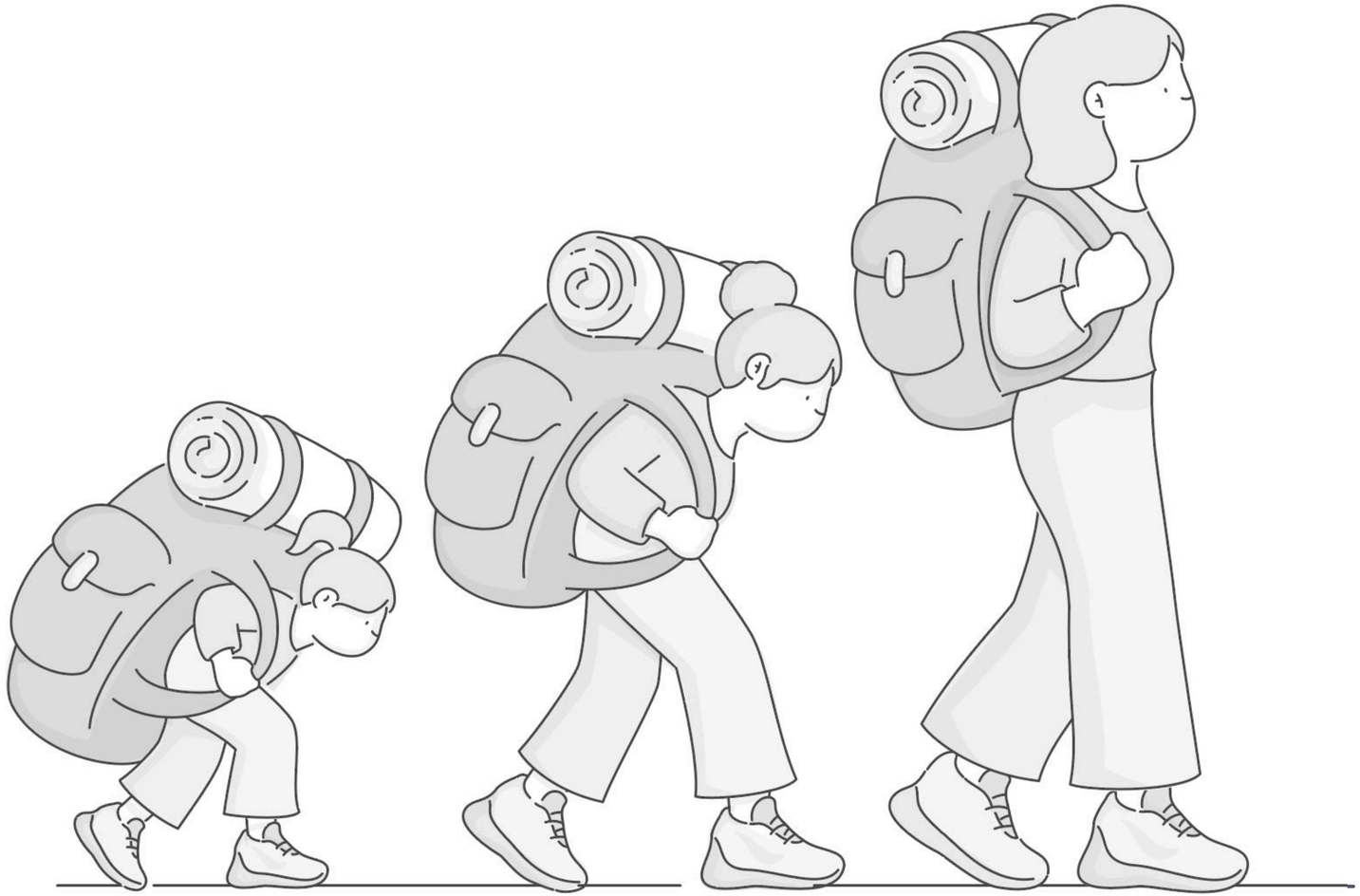
Front Loaded

Near-term Burdens Become Long-term Assets



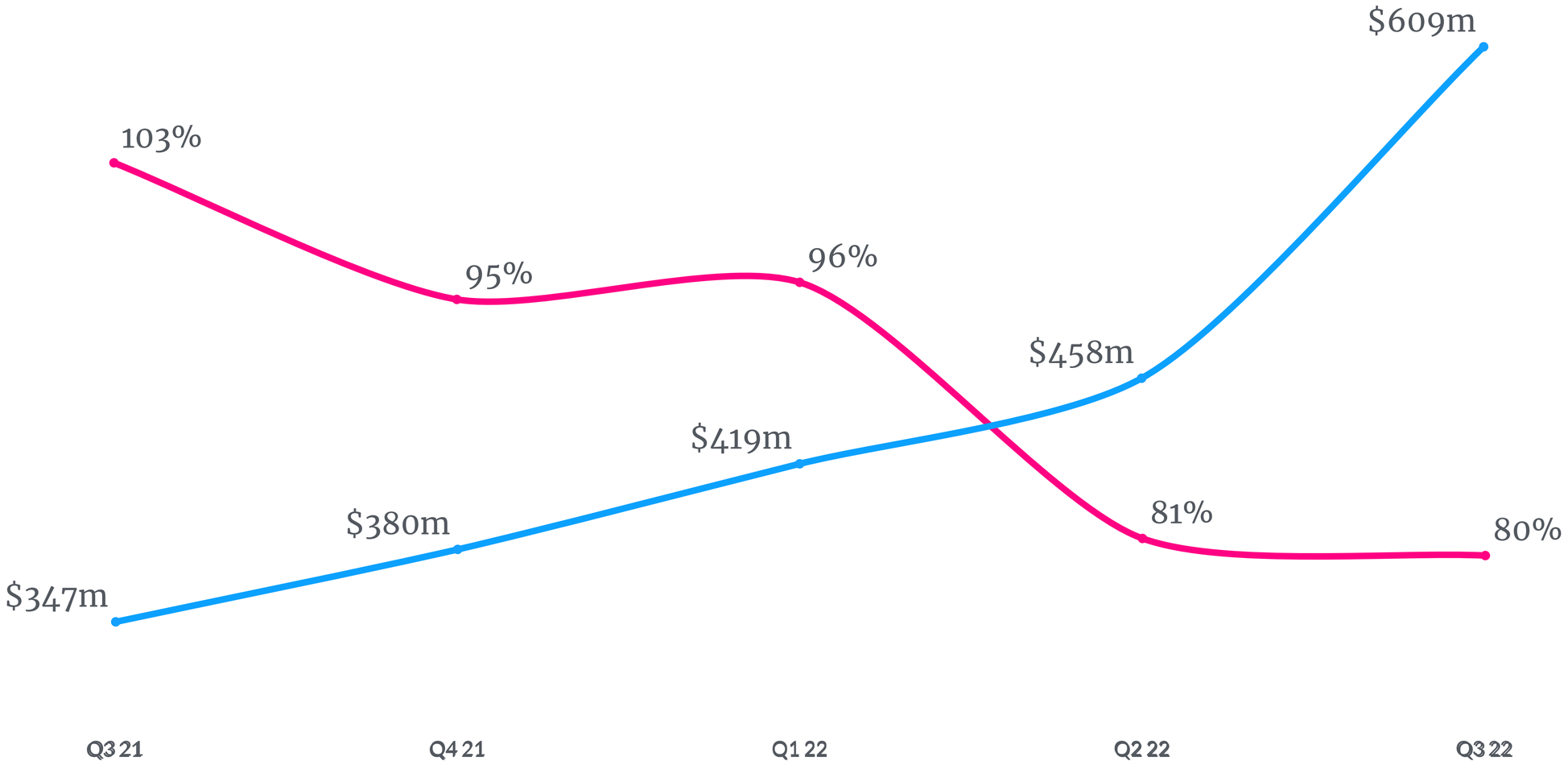
Built for Scale

A Growing Denominator Shrinks the Expense Ratio



Built for Scale

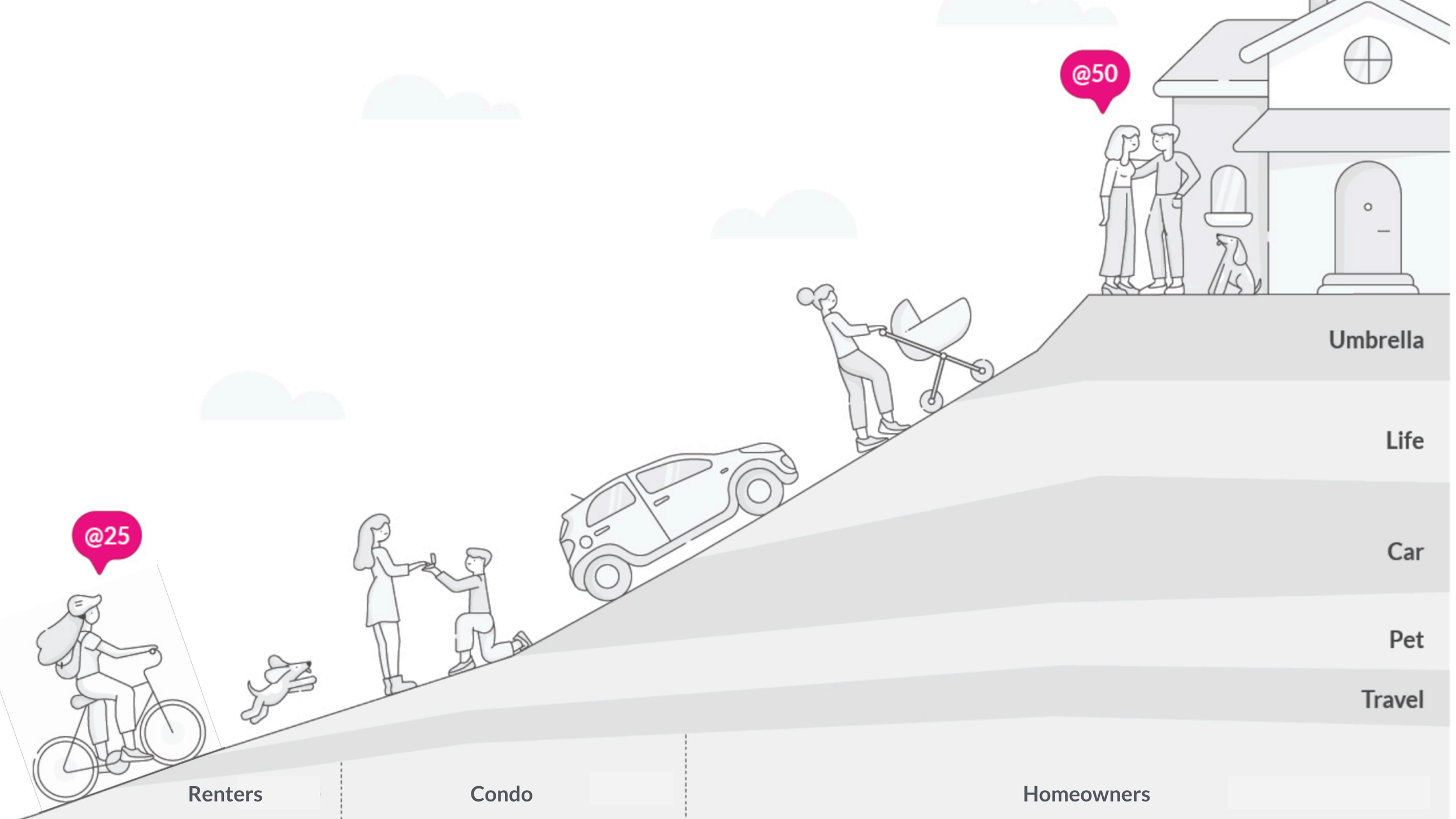
Since Q3 21, Adjusted Expense Ratio Dropped 24% As IFP Grew 76%



Adjusted Expense Ratio is calculated as Gross Earned Premium divided by all operational expenses excluding Loss and loss adjustment expense

Which brings us to the second
picture in Lemonade’s IPO prospectus

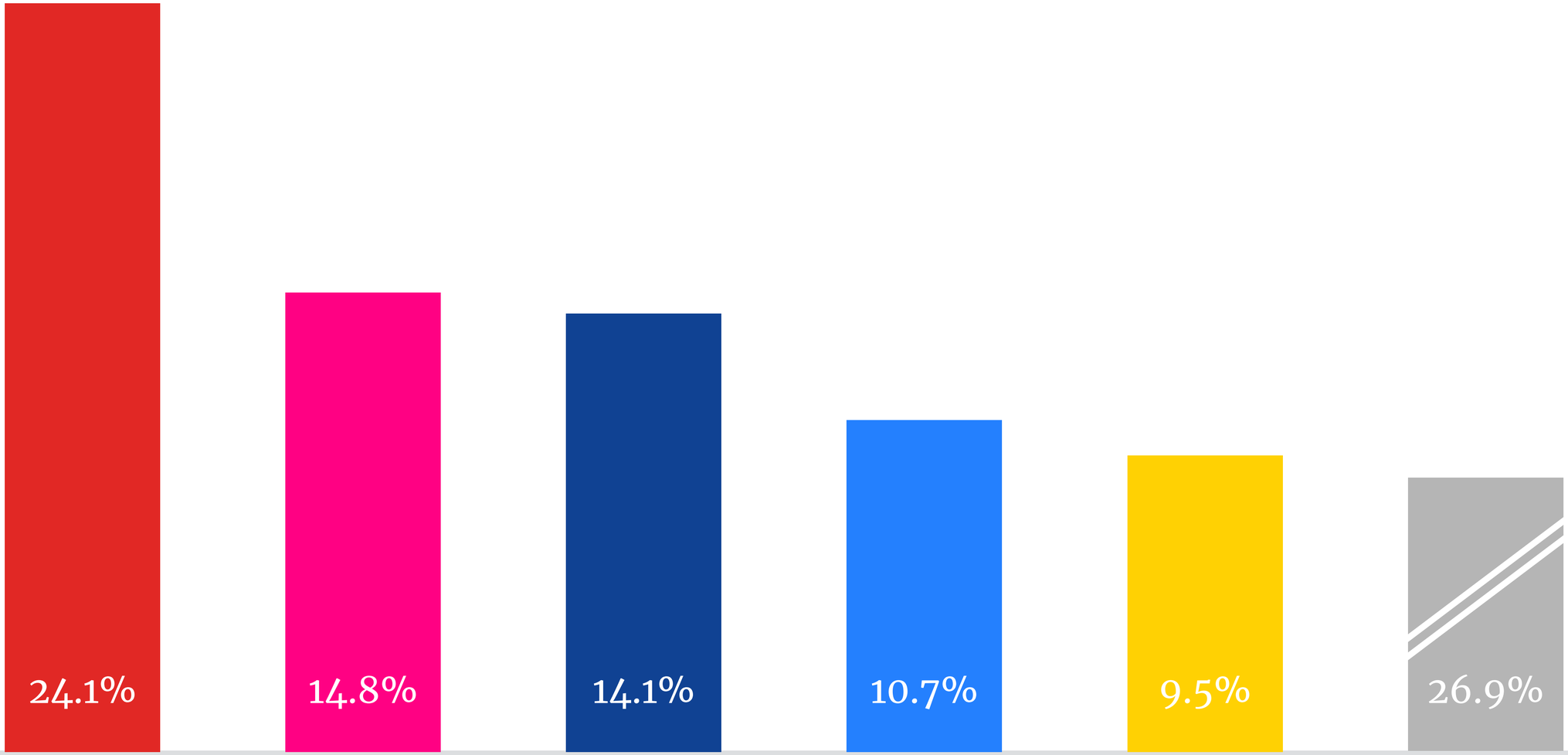
>> Draw Grow with Customers


@50
@25
Umbrella
Life
Car
Pet
Travel
Renters
Condo
Homeowners

Google Surveys
n=1,500, 9/22
(+2.1%/-1.9%)

The Gateway Policy

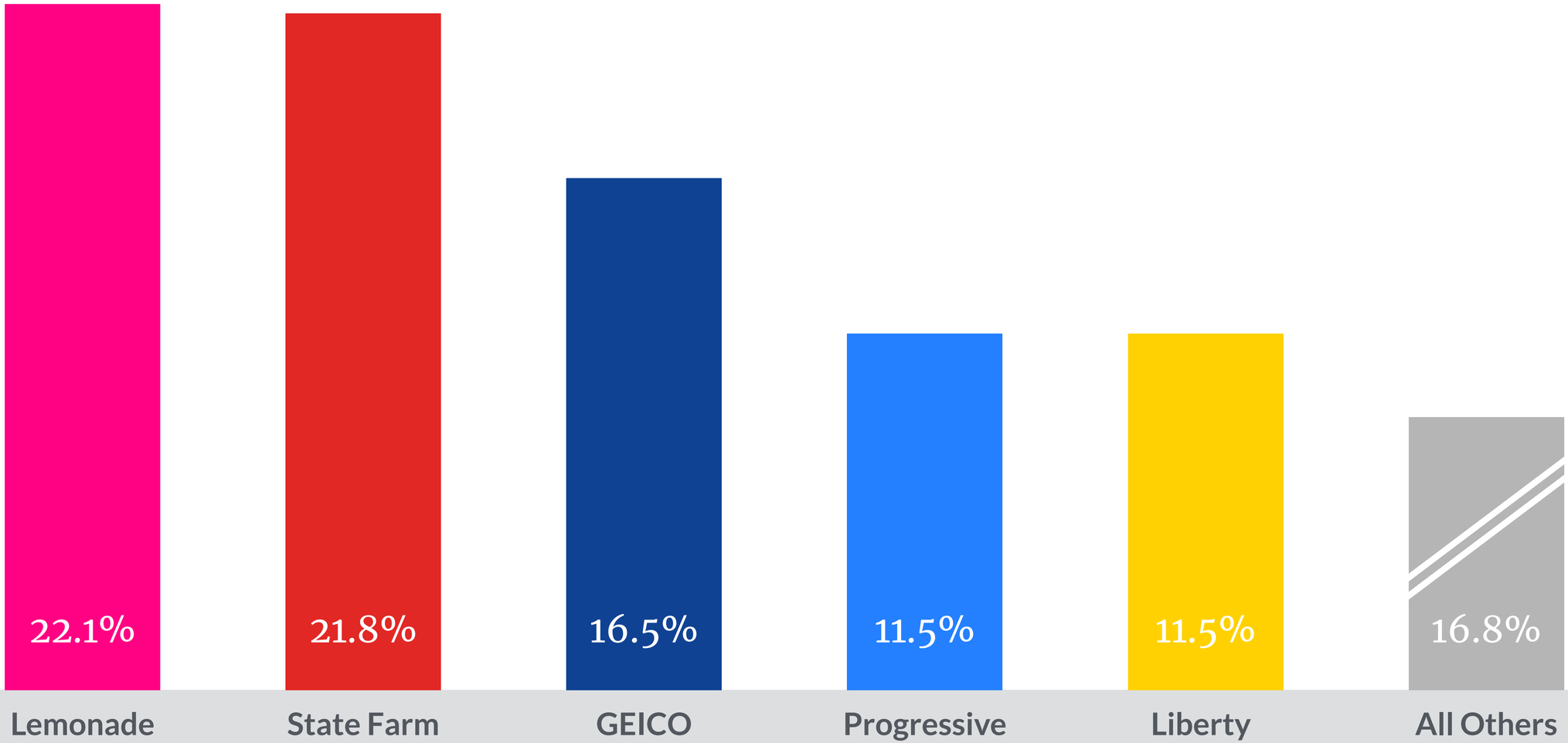
First time buyers of Renters Insurance
across USA in past 12 months



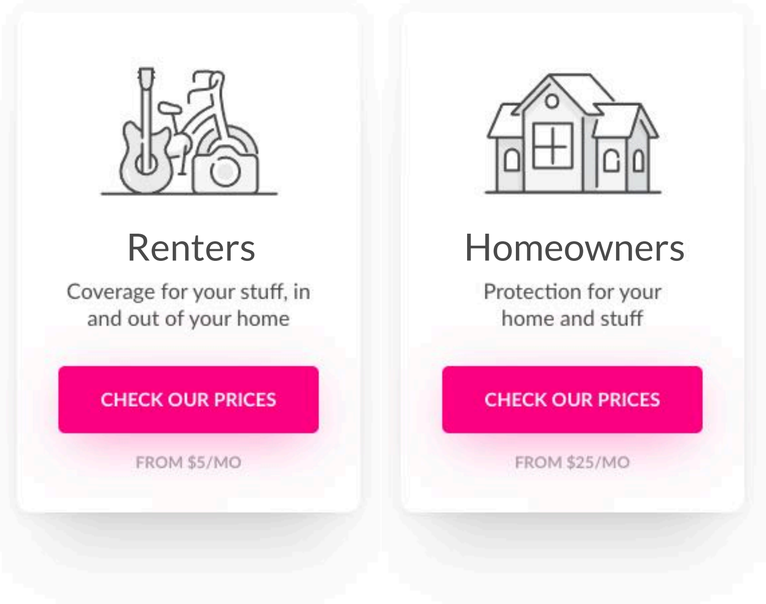
Google Surveys
n=340, 9/22
(+4.1%/-3.5%)

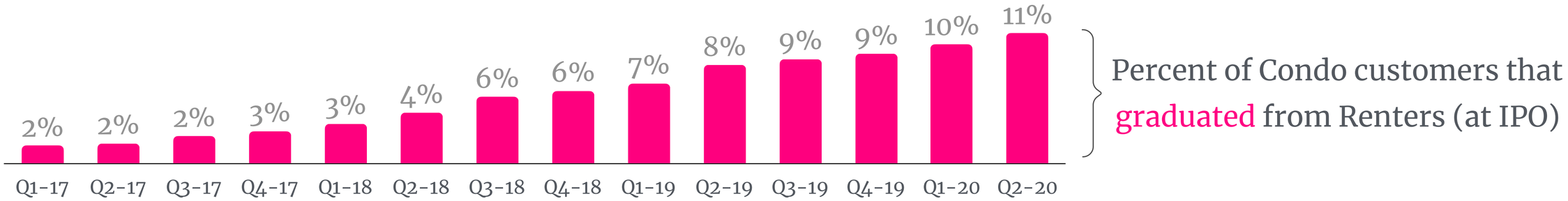
The Gateway Policy

First time buyers of Renters Insurance
in past 12 months under 35yr olds



At IPO





Percent of Condo customers that graduated from Renters (at IPO)

At IPO		Since IPO		
Renters	**Homeowners**	**Pet**	**Life**	**Car**
Coverage for your stuff, in and out of your home	Protection for your home and stuff	Health insurance for furry family members	Protecting the people you love	Protect your car, passengers, and the planet
CHECK OUR PRICES	CHECK OUR PRICES	CHECK OUR PRICES	CHECK OUR PRICES	CHECK OUR PRICES
FROM $5/MO	FROM $25/MO	FROM $10/MO	FROM $9/MO	AS LOW AS $30/MO
Cross sold:	~⅓	~⅓	~⅓	~⅓
Premium jump:	6x	4x	5x	8x

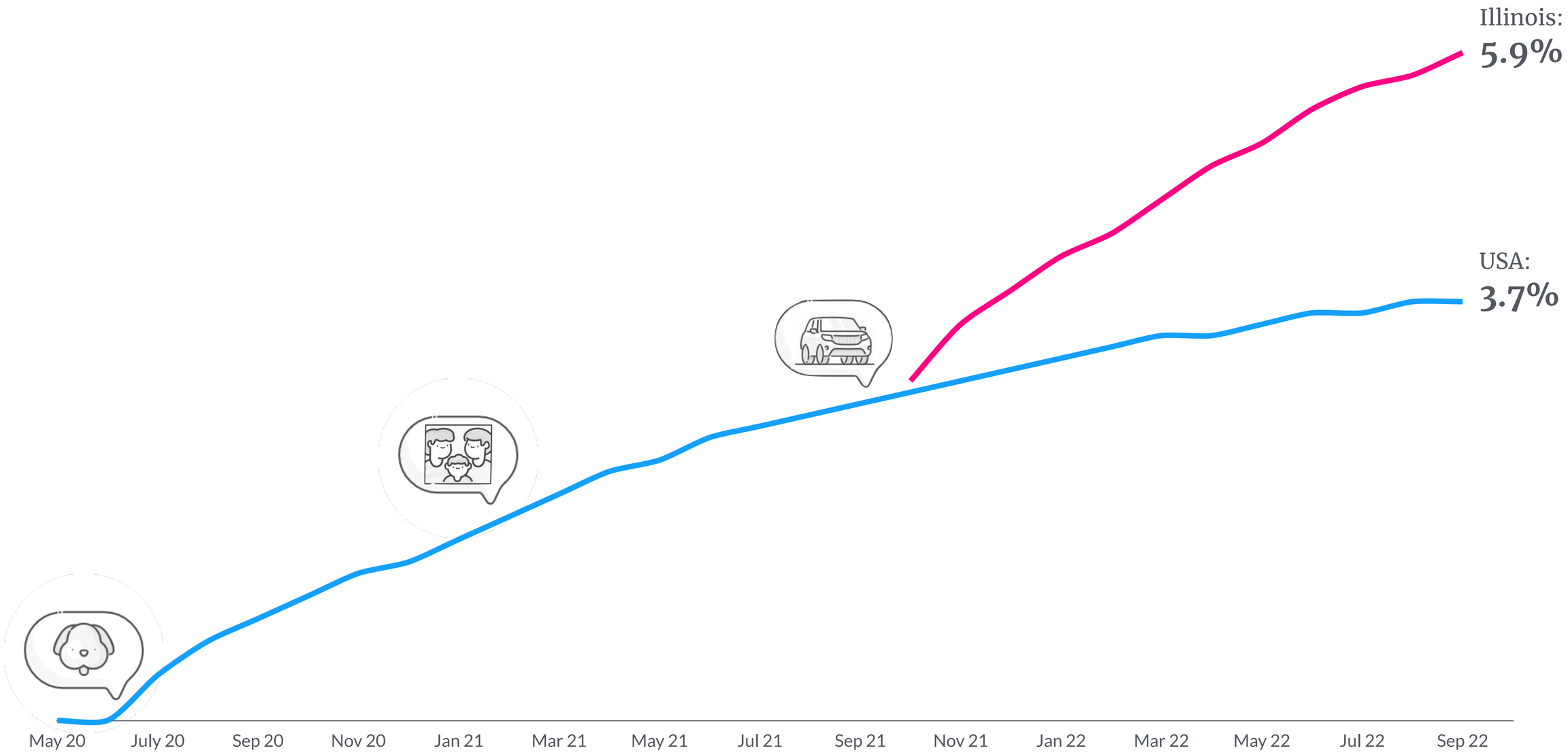
It’s Early Days…

~60% of incumbents' customers are multi-line customers

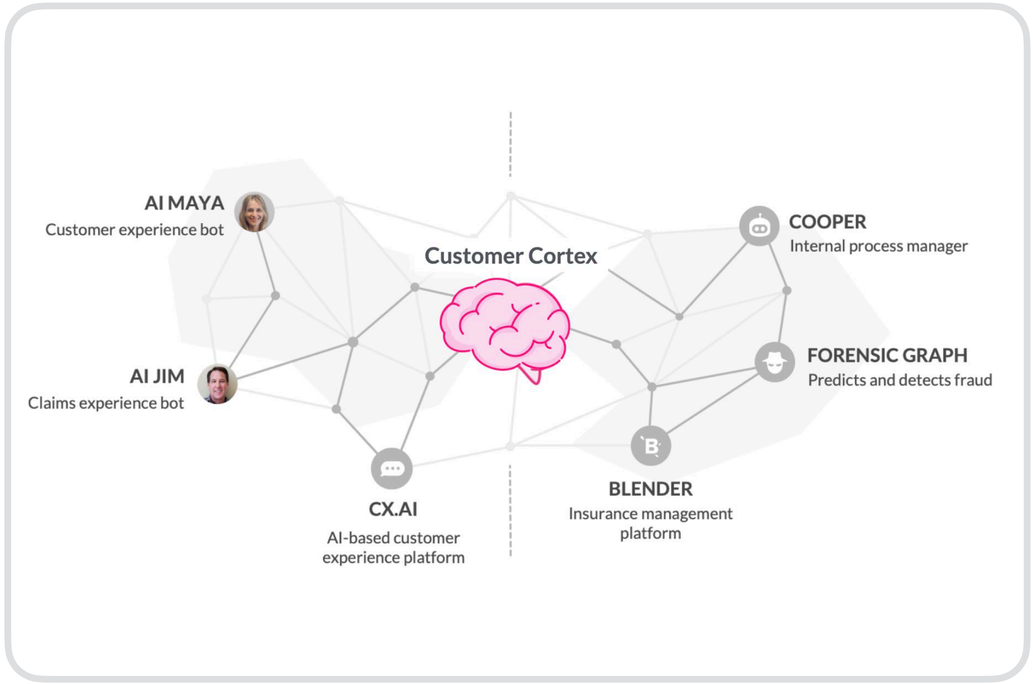
<4% of Lemonade's customers are multi-line customers

We’re on our way

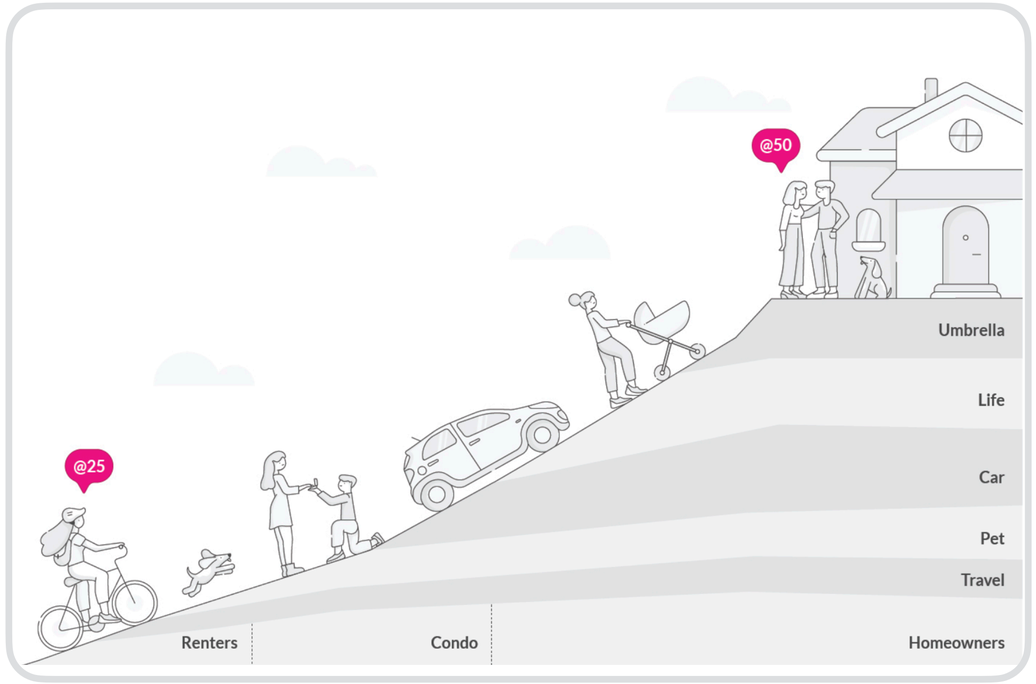
Multi-Line Customers



In Conclusion…

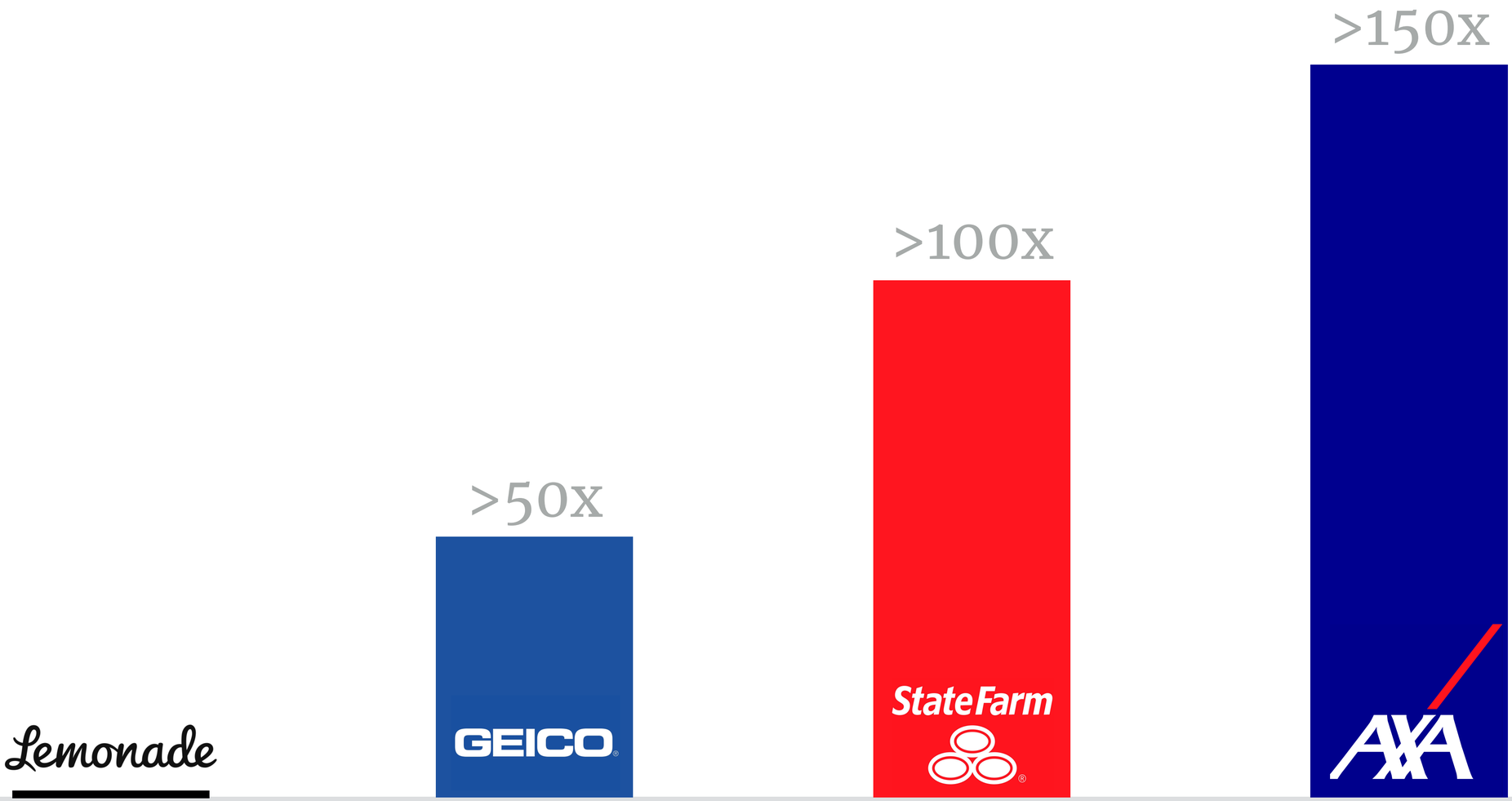


Build insurance as a *neural network*
= more love + less costs



Capture tomorrow's most profitable customers today, and grow with them

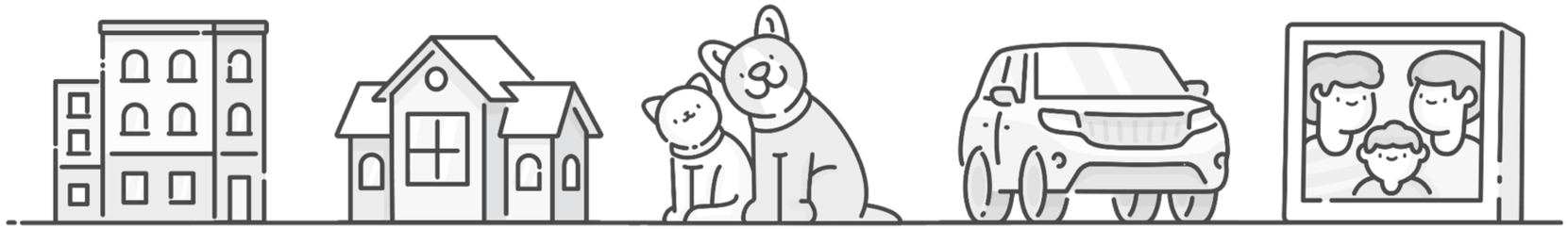
Play The Movie Forward



Lemonade

Maya Prosor
November 15 2022

Portfolio of products that supports
Risk Management and Healthy Growth



The Perfect Onramp

Lemonade Renters

Q3 Results

$223M
IFP

1.4M
Customers

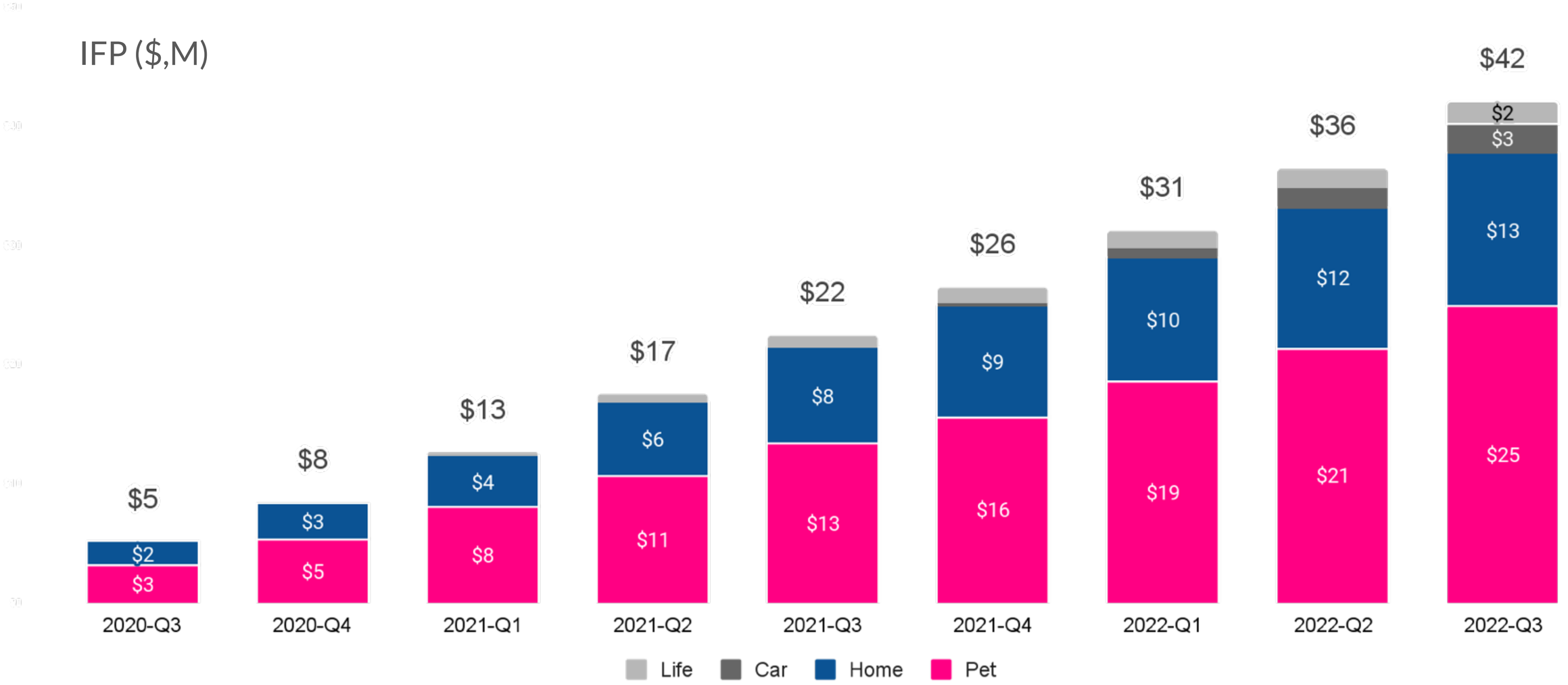
X3.15
LTV/CAC

65%
Q3 Loss Ratio

51%
Predicted LR
Q3 cohort

50%
Conversion
rate

Cross Sales coming from *just* Renters



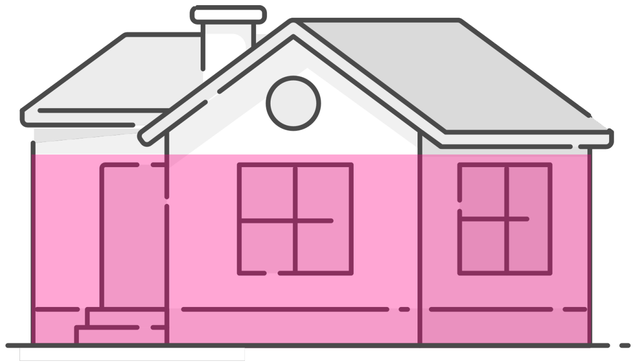
5X Renters with 10X Heart

Lemonade Pet

The US Market

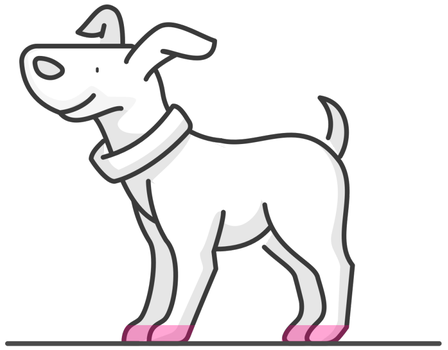
$2.6B at ~25% CAGR

Households with Pets



>80M

with Pet insurance*



2.5%

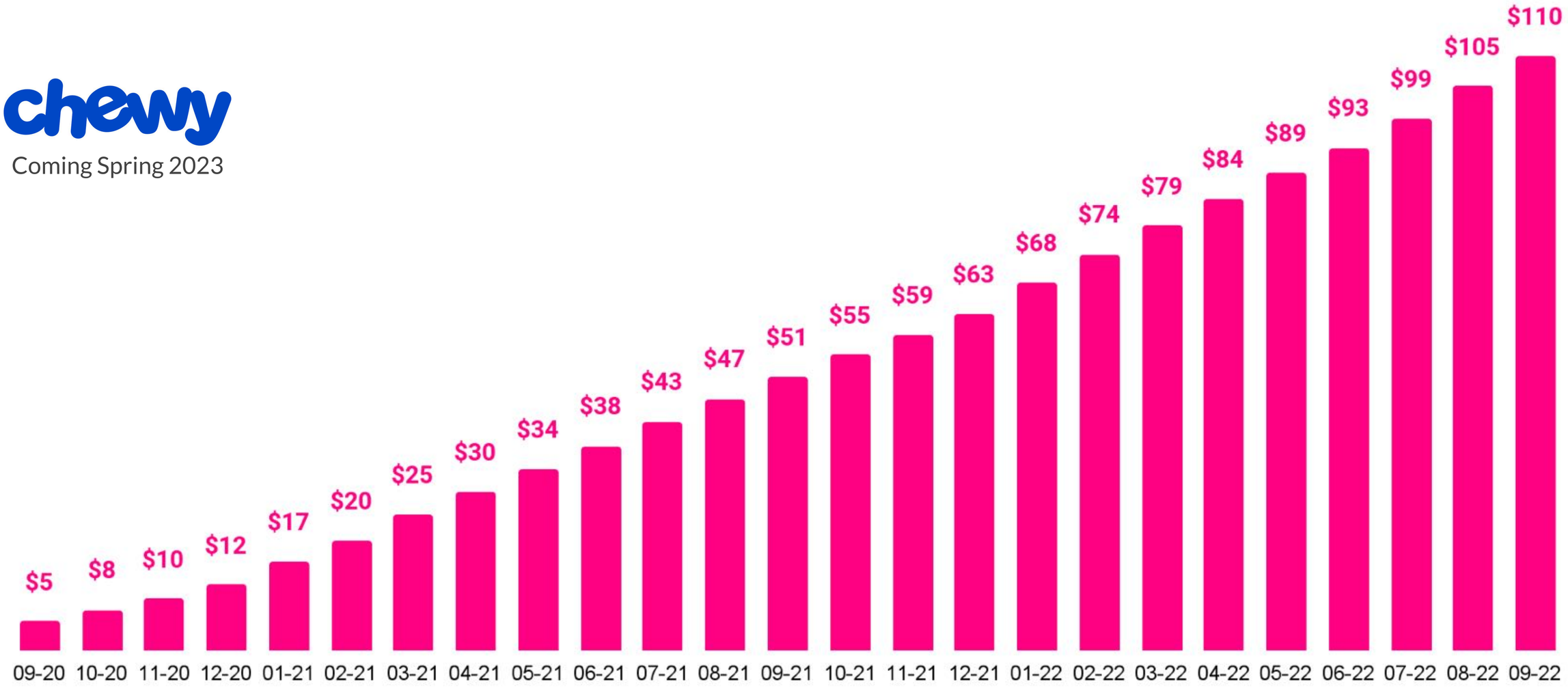
*2021 data

And we are growing way faster

From standstill to $110M in 2 years

chewy

Coming Spring 2023



Q3 Results

$110M

IFP

X3.8

LTV/CAC

15%

Quote Rate from other products

~60%

Predicted LR Q3 cohort

47%

Claims handled by AI

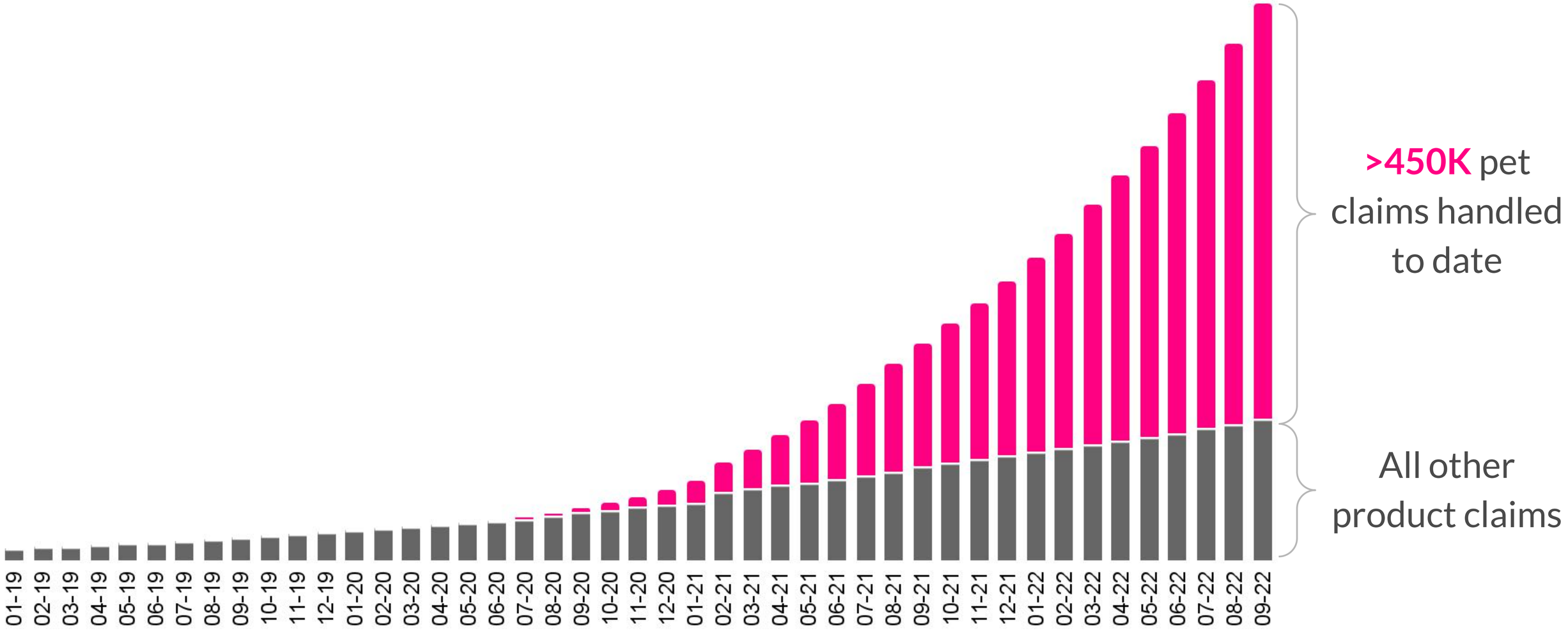
450K

Number of claims

As of Q3-22

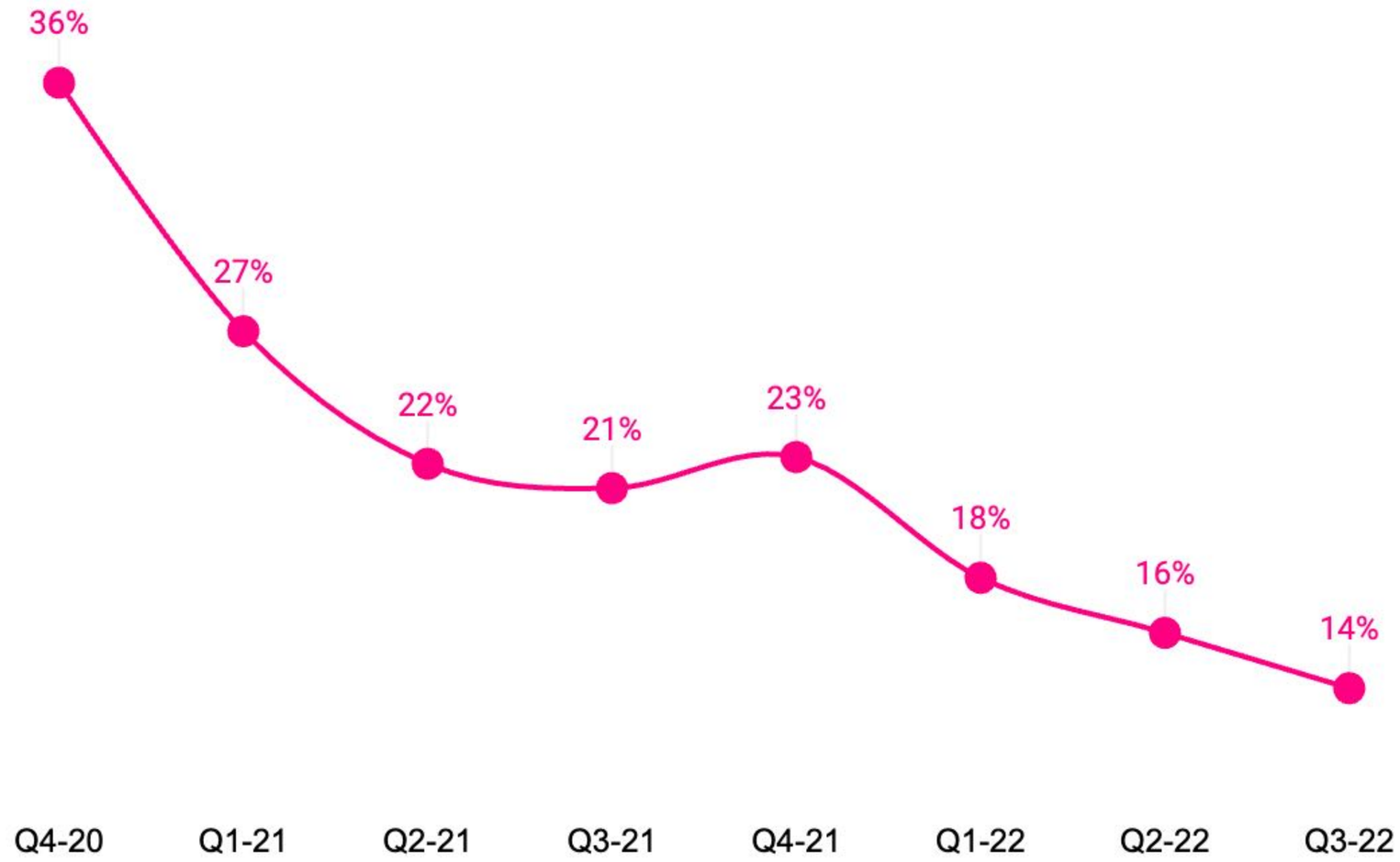
High Frequency, Low Severity

Total number of claims handled at Lemonade



Our focus on efficiency is paying off

Loss Adjustment Expenses (LAE) as percentage of premiums



Rounds out the Family

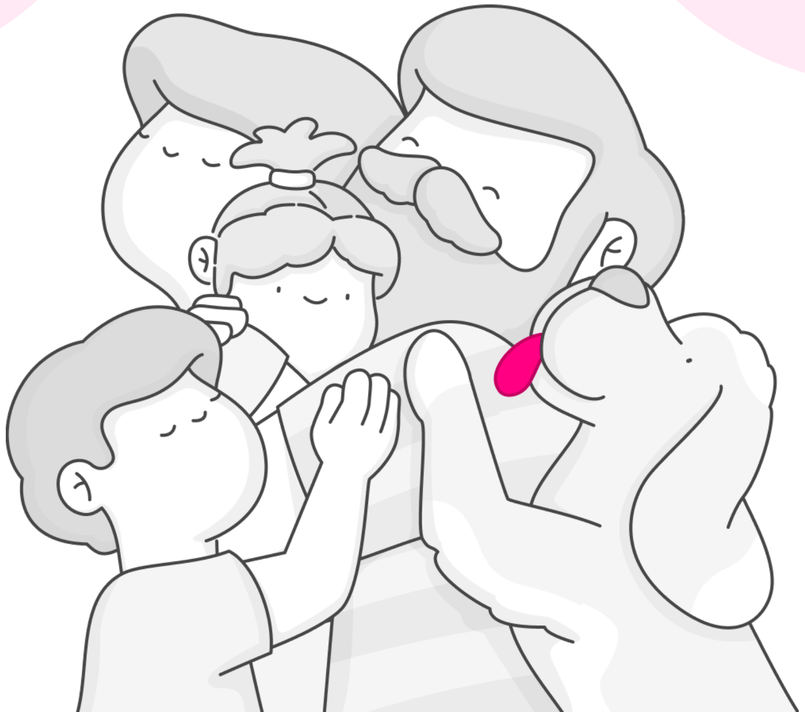
Lemonade Life

35%

Bundled with other products

1/2

The churn rate vs. single line Renters



Made For Bundling

Lemonade Home

Q3 Results

>$120B

TAM

$149M

IFP

X1.6

LTV/CAC

119%

Q3 Loss Ratio

81%

Predicted LR October

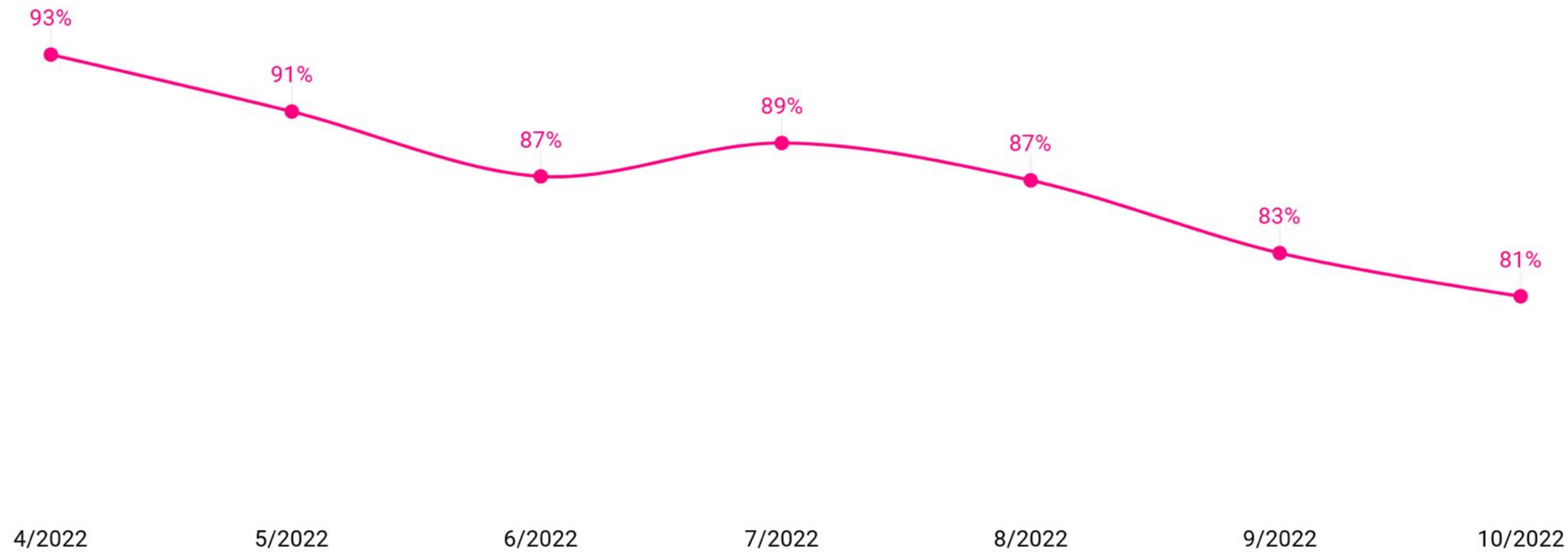
40%

Auto Handled UW Reviews

On the Right Path

81% Predicted Loss Ratio

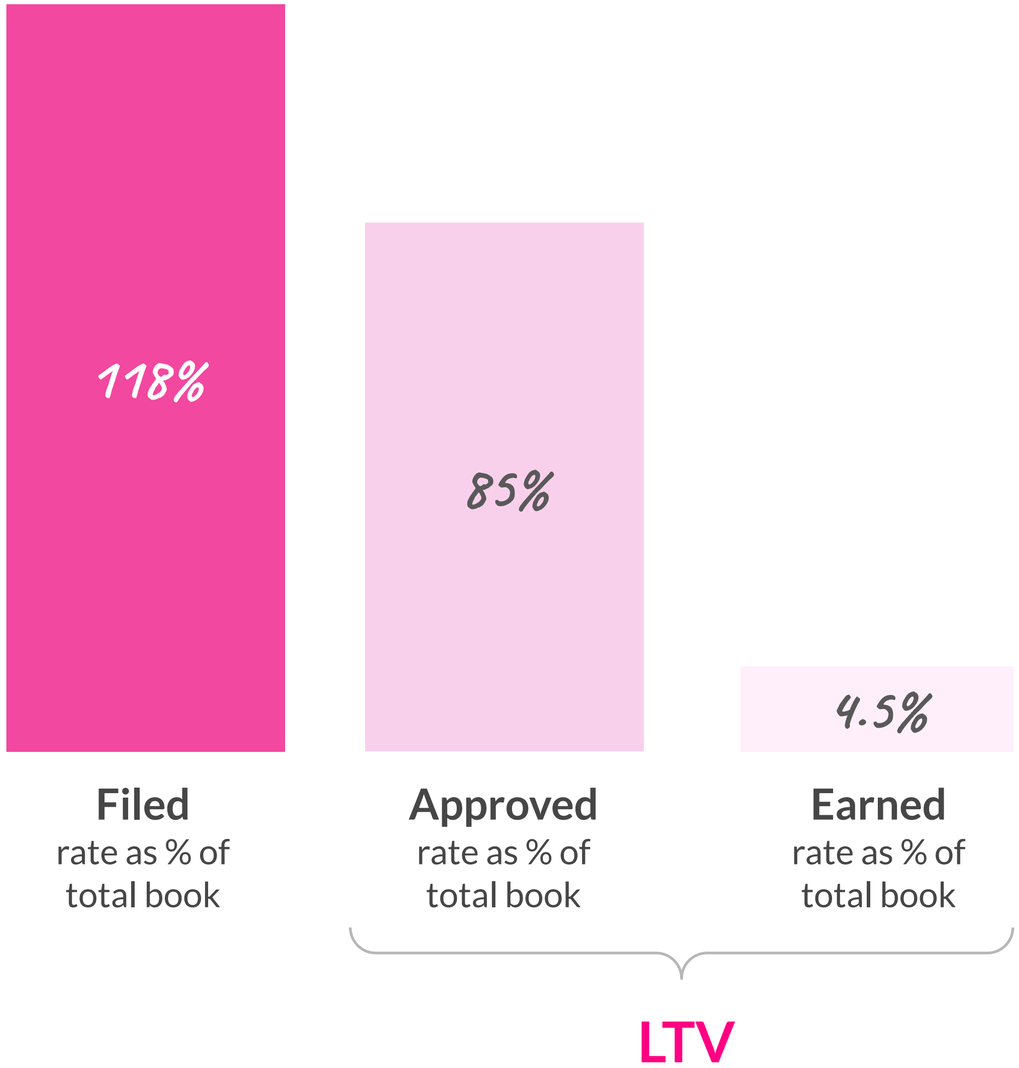
for new customer cohorts



Predicted loss ratio by month

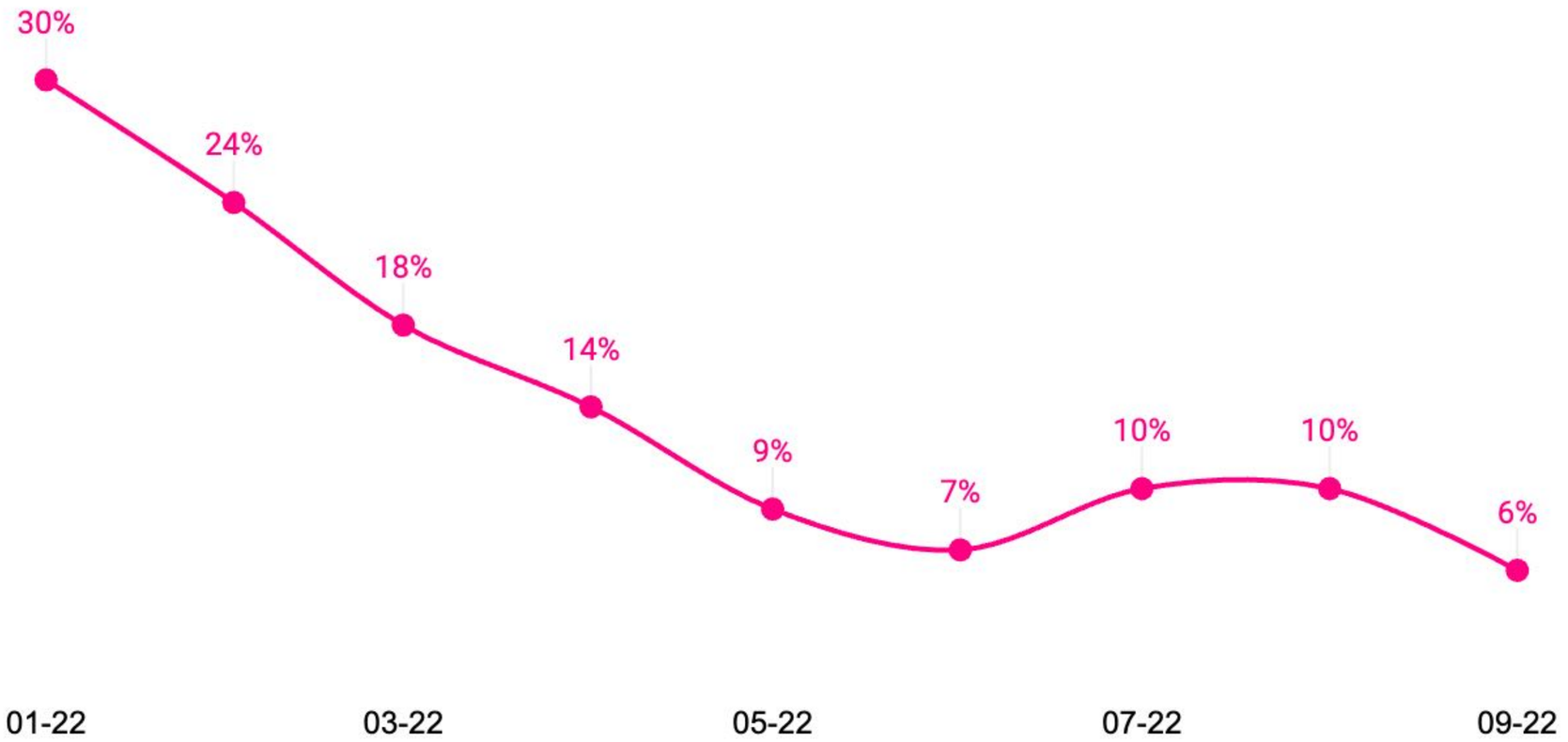
Time Lag

Rate changes we've taken this year

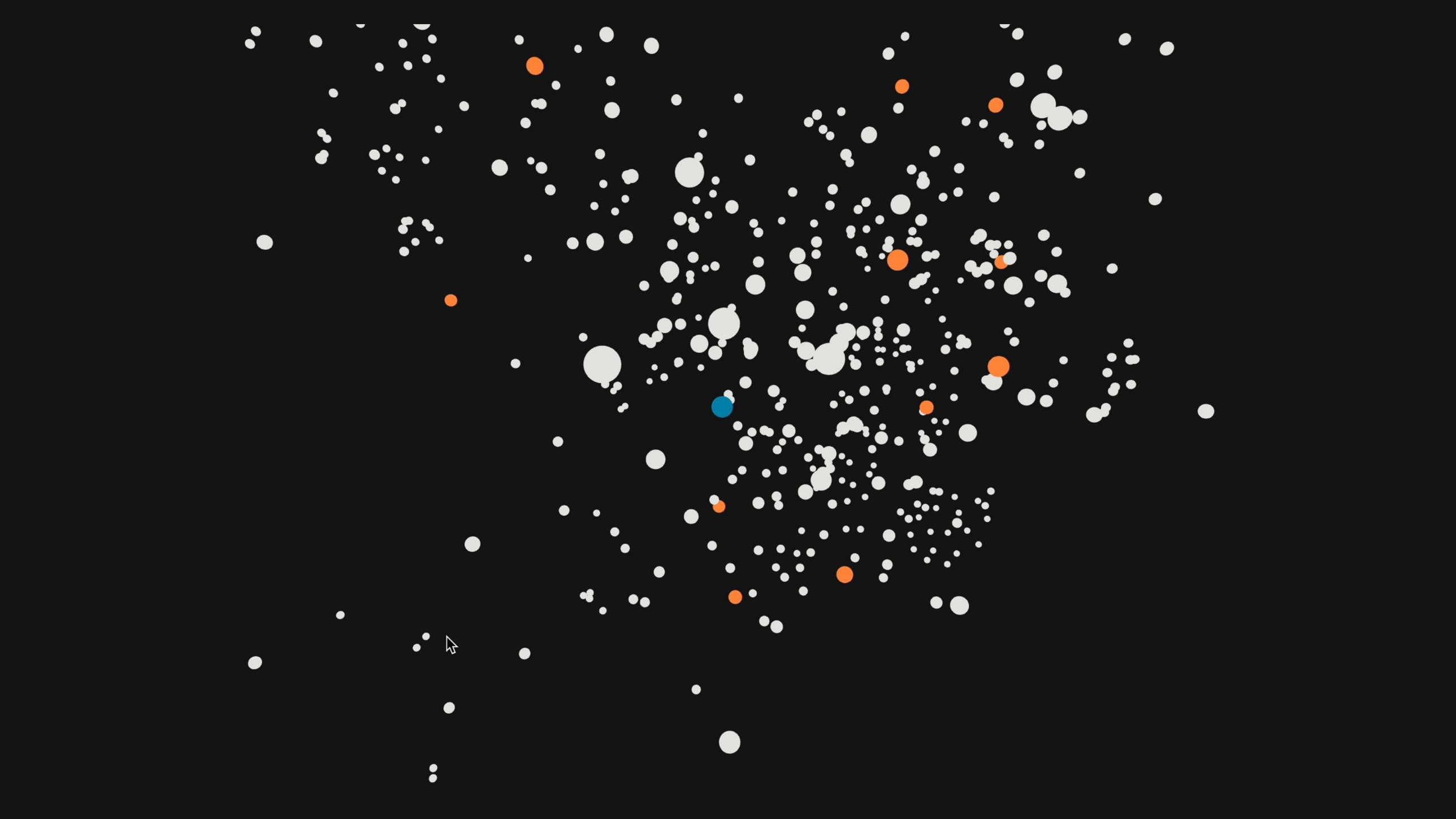


Geo Profitability Management

Reducing California New Business Share



Getting the Right Risk



TRIGGERS

Real-Estate Property Description

Property Overview

Great starter pool home with loads of potential. On a corner lot featuring 3 bedrooms 2 bathrooms with copper plumbing, solar panels, new water heater and updated electrical. The home needs TLC inside but perfect for someone that doesn’t mind getting their hands dirty. Centrally located to shopping, restaurants and 405/5/118 freeways.

TRIGGERS

Inspection Reports Auto-Review

Aerial Imagery Capabilities

Roofs segmentation, mobile homes and more…

Pricing

Wash, Rinse, Repeat

File best assessment of Rates Forms & Underwriting

Sell critical mass of such policies (to derive conversion, churn…)

Pay critical mass of claims (to derive risk predictions, pricing)

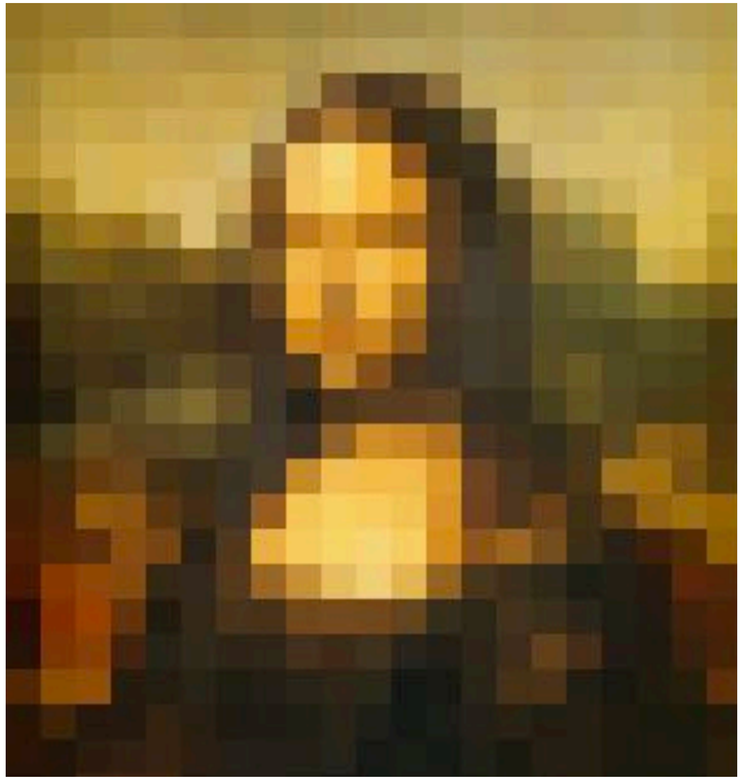
Map learnings onto Rates, Forms & Underwriting

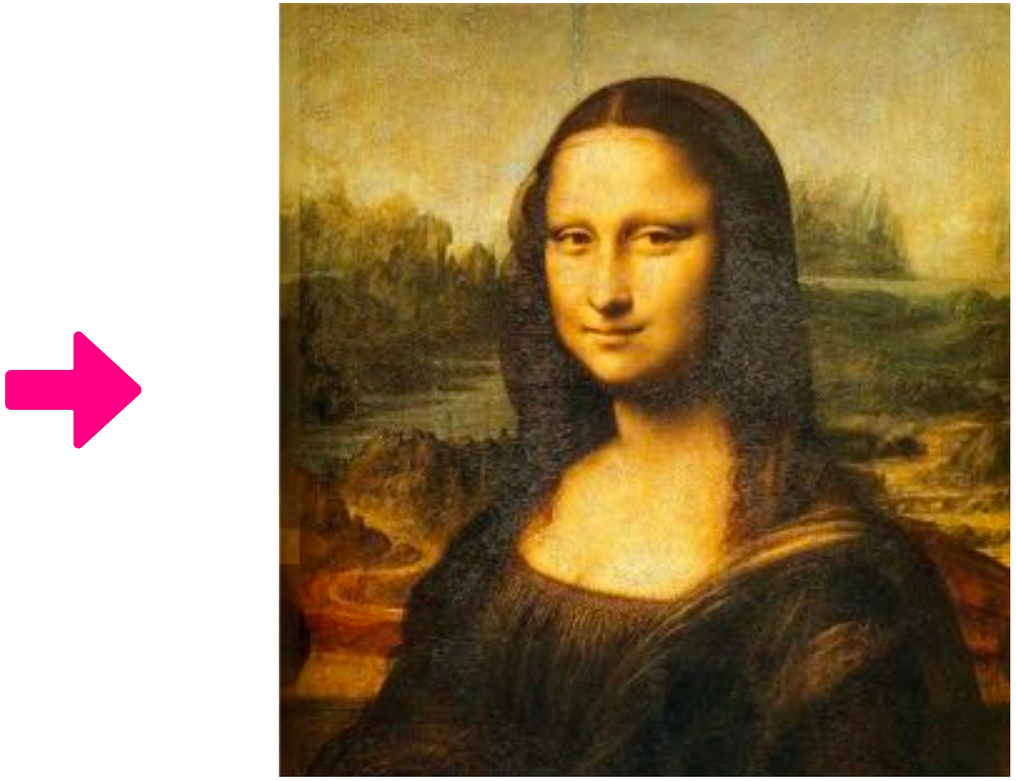
Sophistication in Pricing and UW

Territory Factors

Sophistication in Pricing and UW

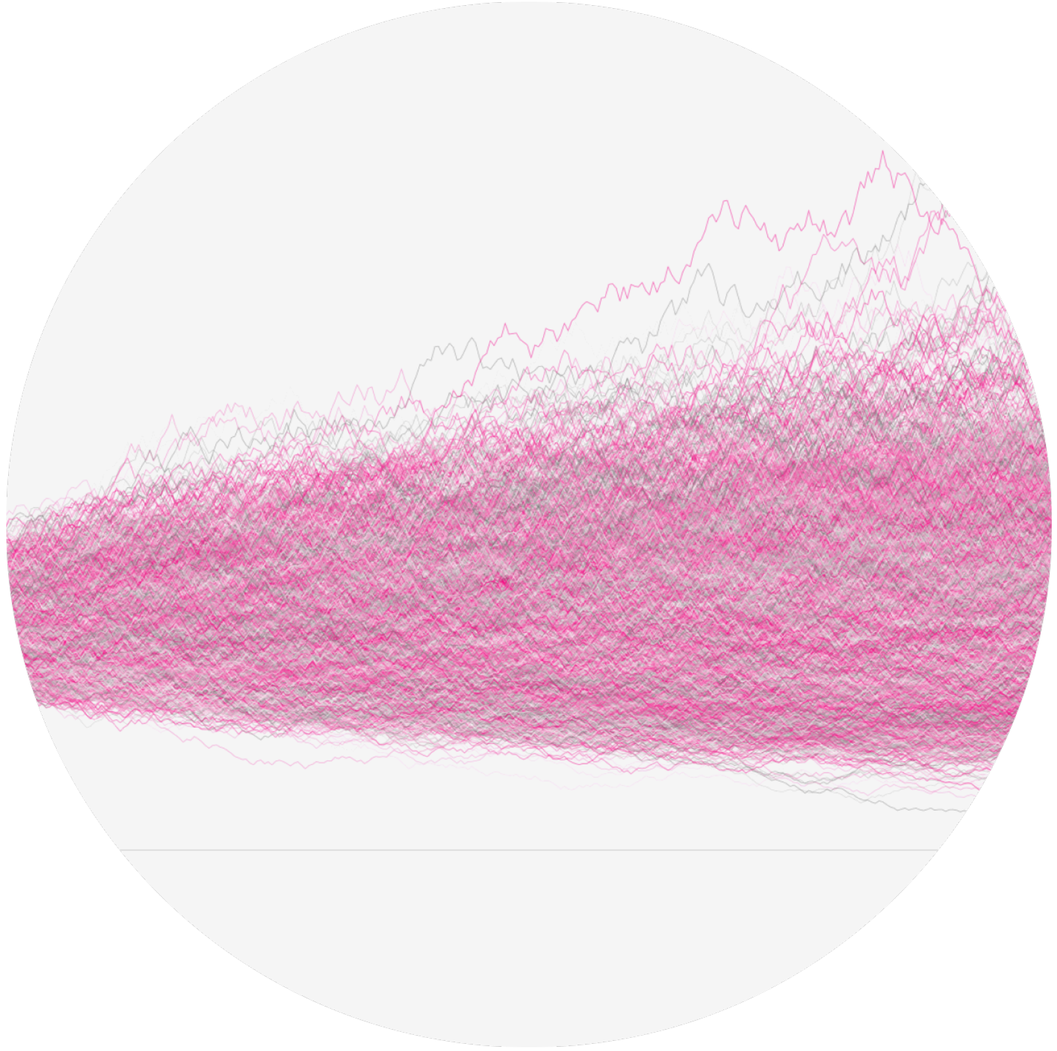
Address Level CAT





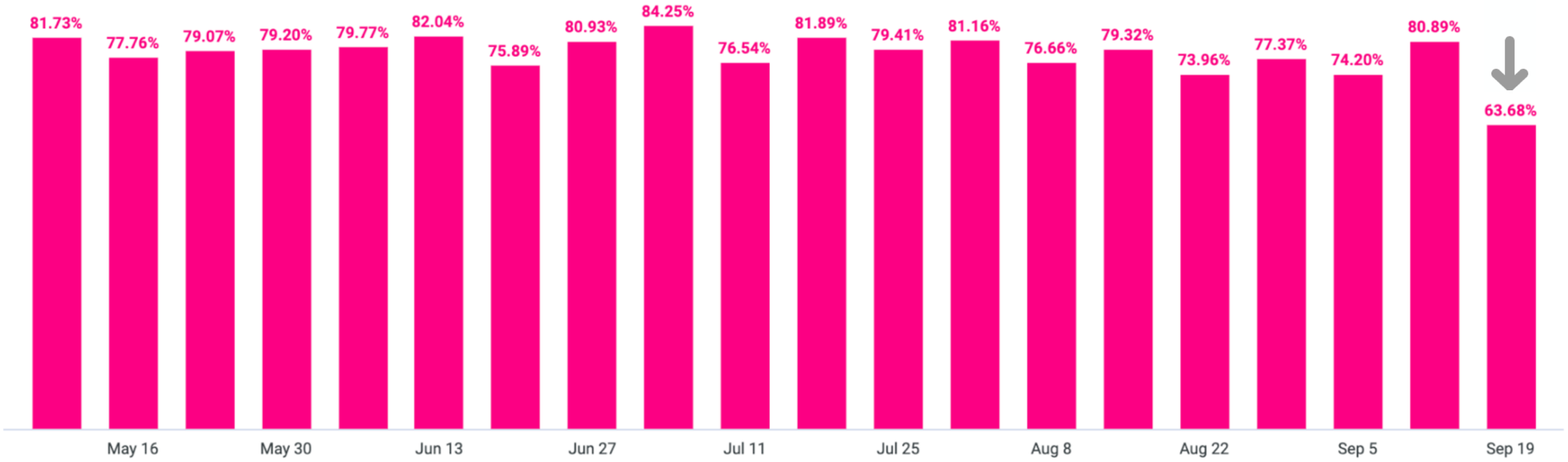
Sophistication in Pricing and UW

ML Loss Model



ML Model for Pricing in TX 🎉

Predicted loss ratios for new customer cohorts

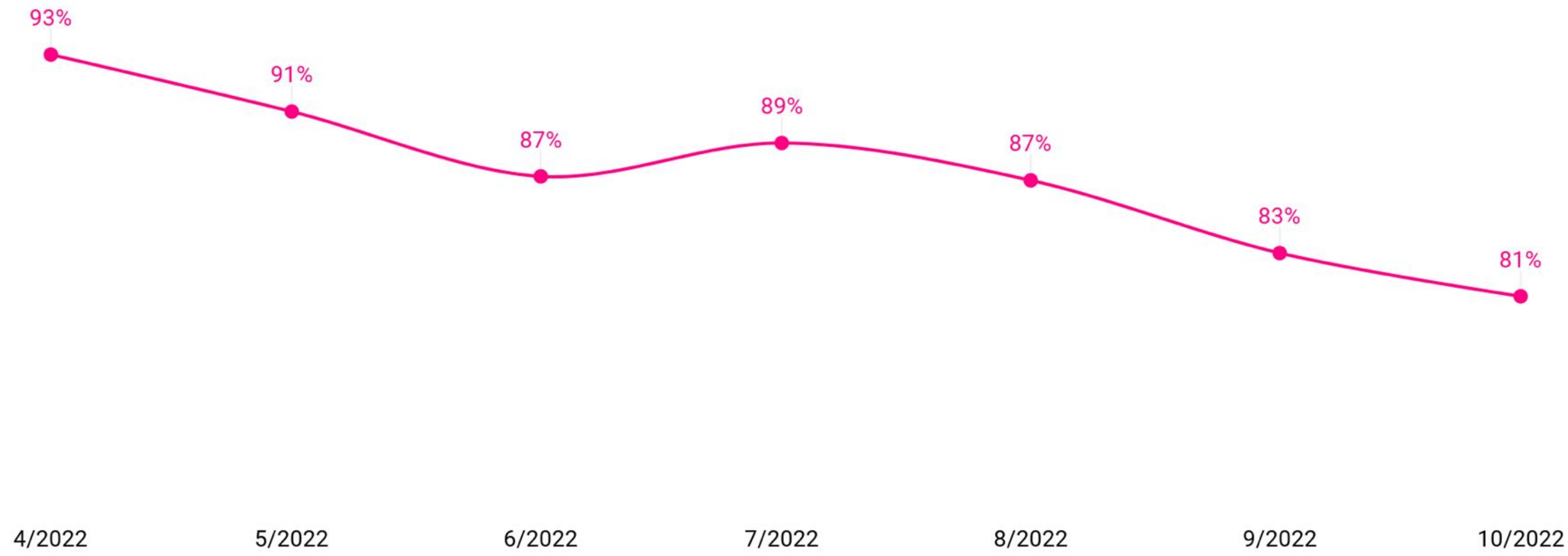


Conversion Rates Slightly Increased

On the Right Path

81% Predicted Loss Ratio

for new customer cohorts



The Highway

Lemonade Car

Pent Up Demand and a Huge Market

"Cheaper insurance. I am loyal
custo
ler
se

"My primary hope is that New York state will be one of the states that Lemonade car will be offered to and can compete with Geico."

"Lemonade stole the show in home insurance, compared to any other companies… you better in this one too. Waiting eagerly - love Lemonade"

Texas so
oot"

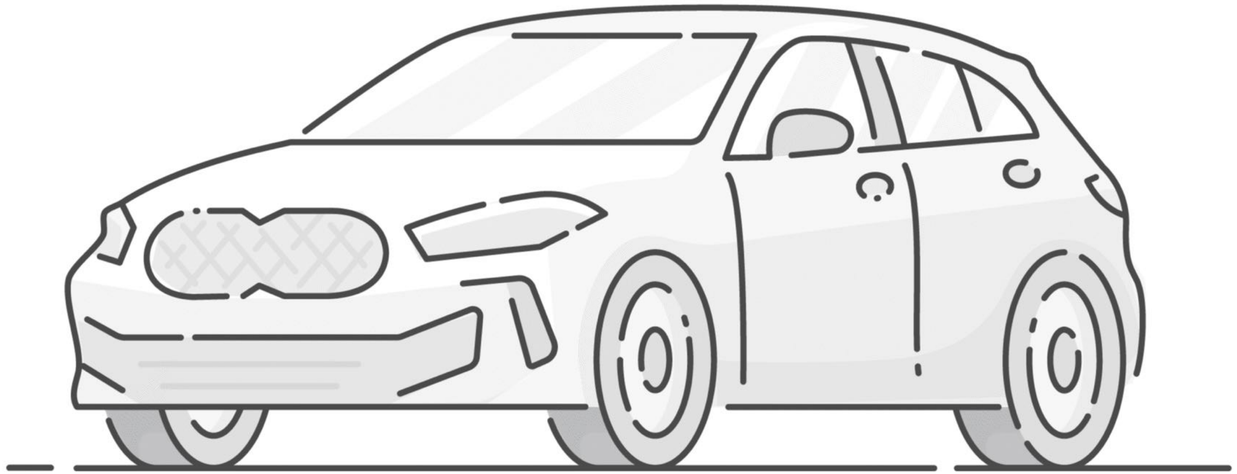
>300K
Car waitlist

25%
Conversion Rate-Existing Customers

$320B
TAM

Crunching Time

aka bridging the data gap



metromile

>90% Telematics

Power of Telematics

Without Telematics

20 Year Old Male

Medium Credit Score

No Prior Accidents

Top 10% highest risk

Power of Telematics

~~Without~~ With Telematics

20 Year Old Male

Medium Credit Score

No Prior Accidents

90% Day Driving

95% Within Speed Limit

0.3% Hard Brakes

5% High Traffic Driving

90% Main Roads

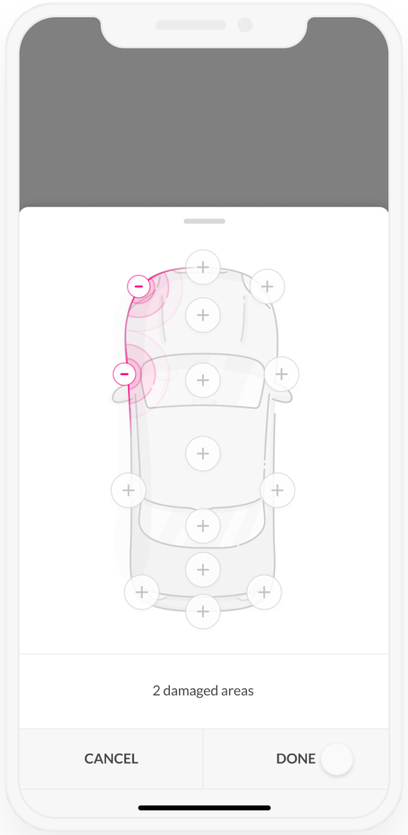
500 miles / month

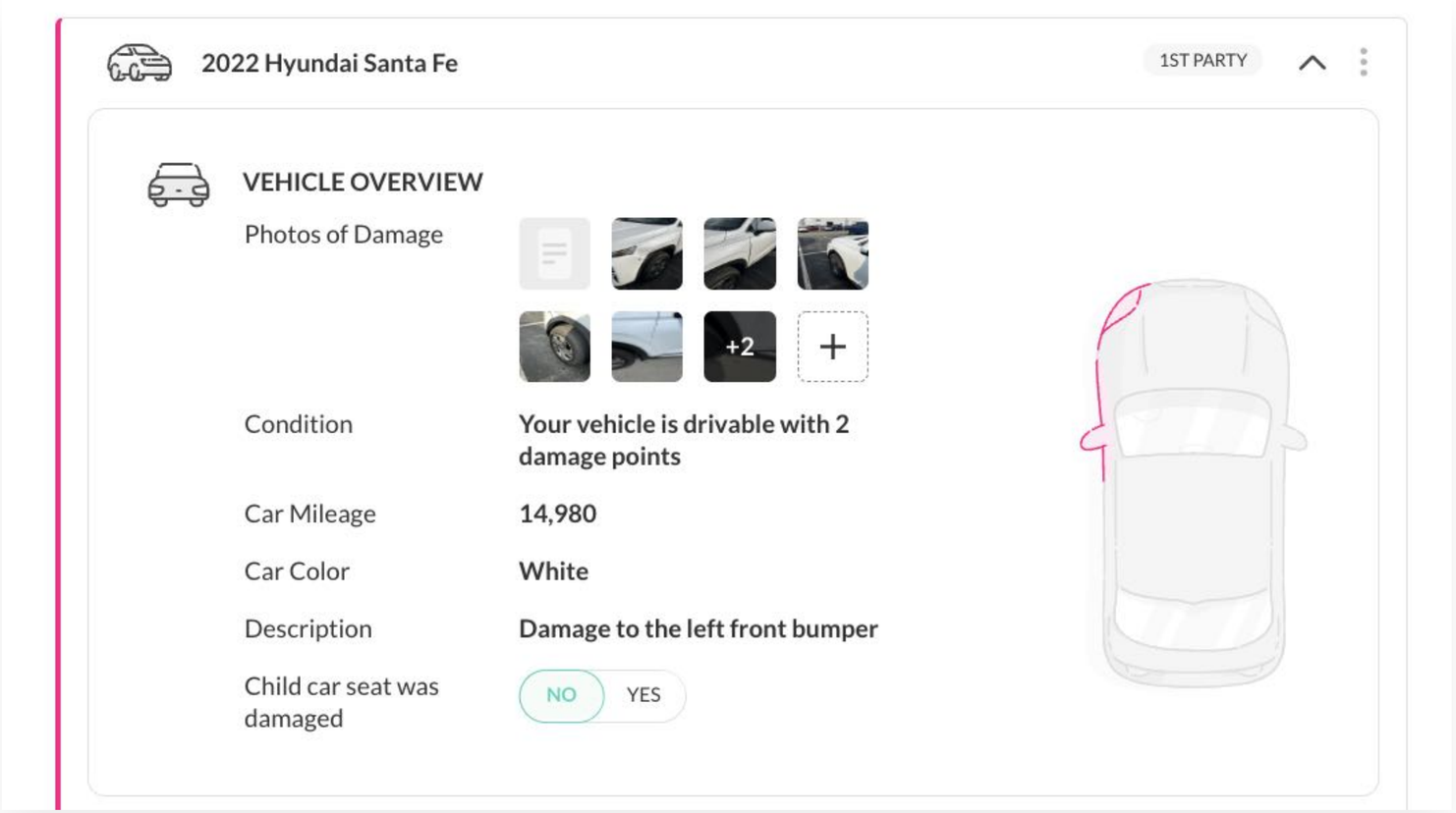
0.2% Sharp Turns

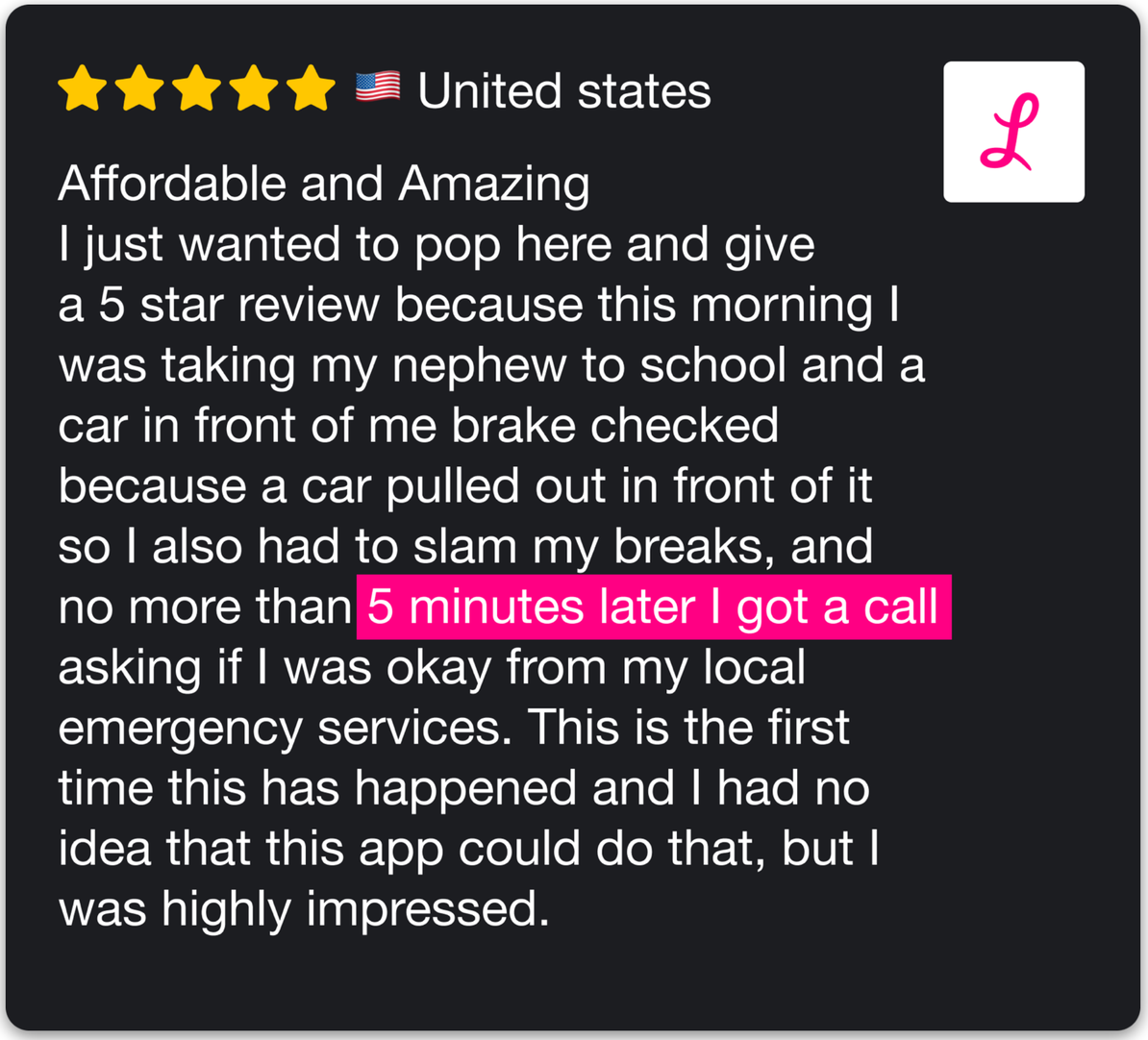
In reality a low risk driver,
And we can price him as such

Touchless First Notice Of Loss

Digitally capturing initial claim info, allowing advocates to handle claims faster

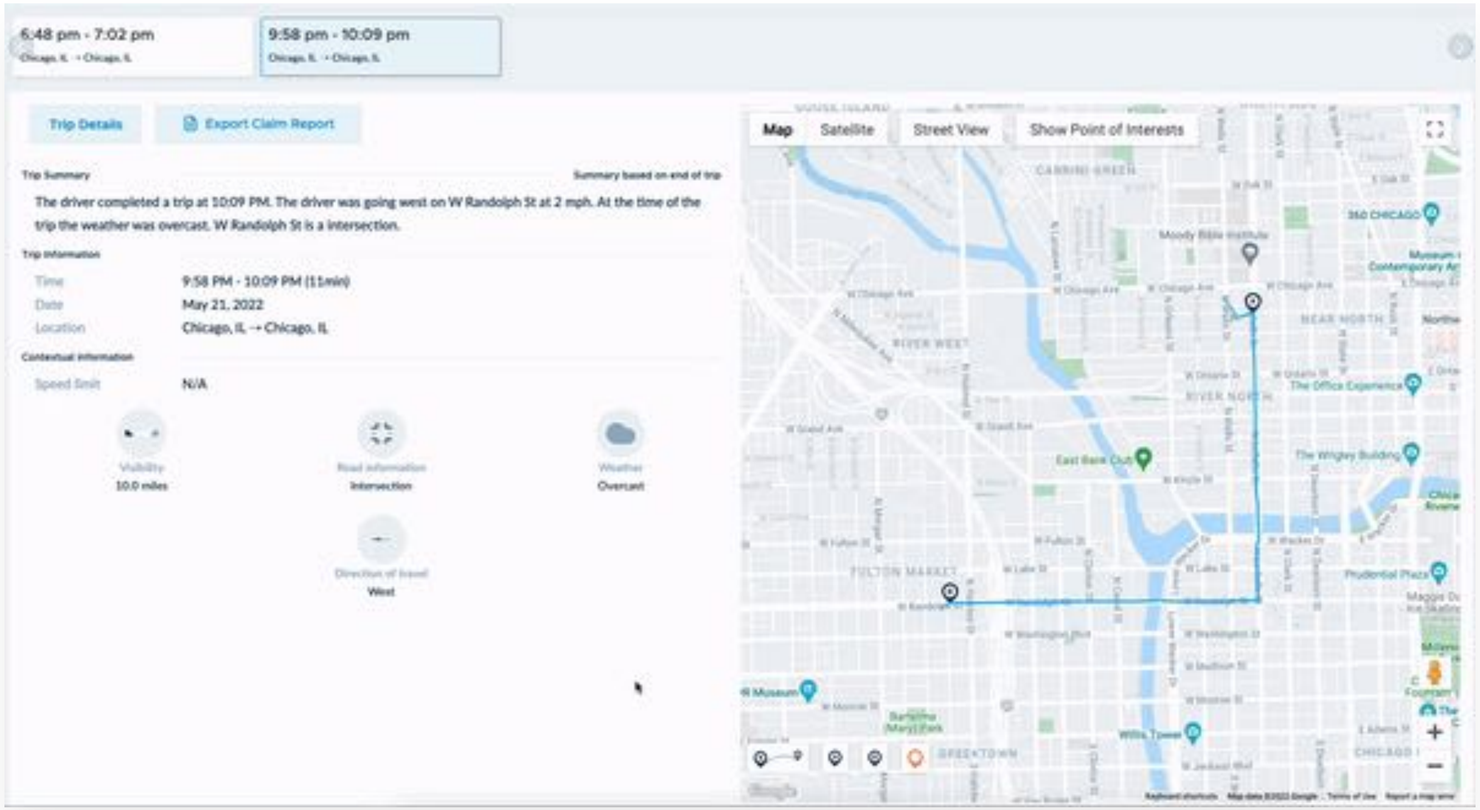





United states
Affordable and Amazing
I just wanted to pop here and give a 5 star review because this morning I was taking my nephew to school and a car in front of me brake checked because a car pulled out in front of it so I also had to slam my breaks, and no more than 5 minutes later I got a call asking if I was okay from my local emergency services. This is the first time this has happened and I had no idea that this app could do that, but I was highly impressed.

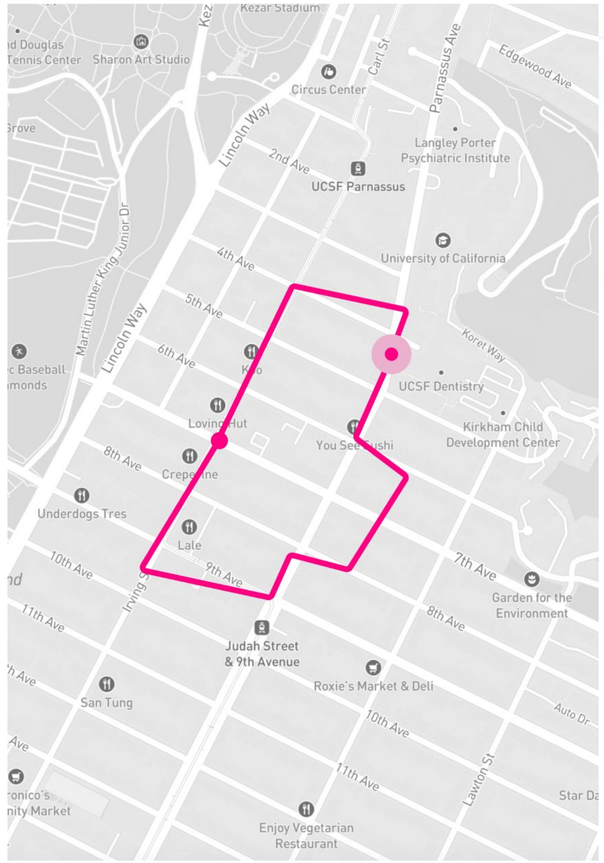
Telematics Powered AI

Hidden drivers detection



Telematics Powered AI

Rideshare detection



Pricing

Wash, Rinse, Repeat

File best assessment of Rates
Forms & Underwriting

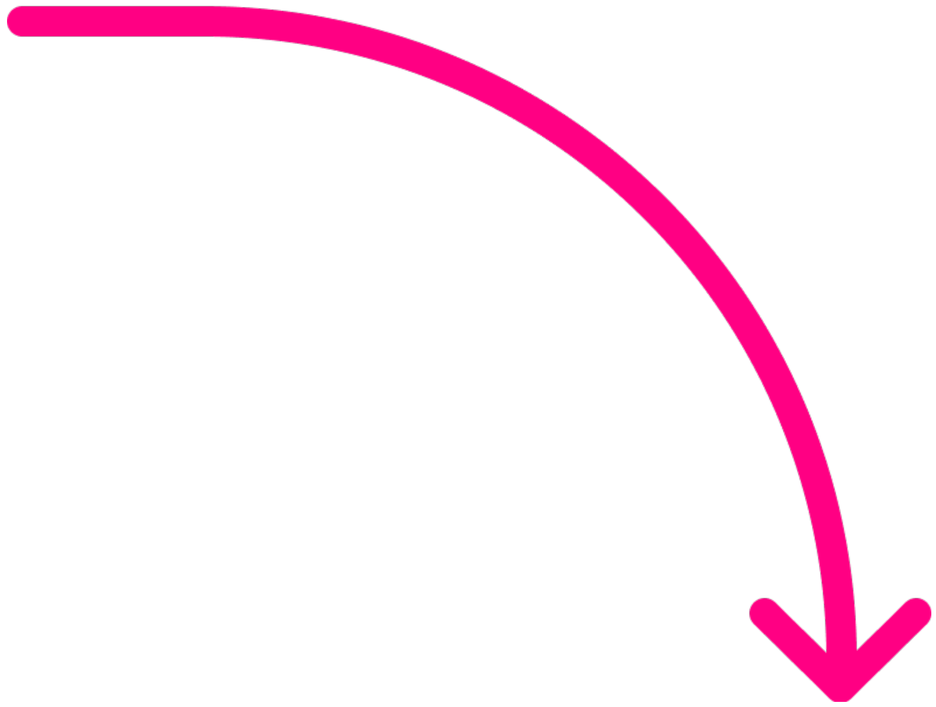
Sell critical mass of such policies
(to derive conversion, churn…)

Pay critical mass of claims (to
derive risk predictions, pricing)

Map learnings onto Rates,
Forms & Underwriting

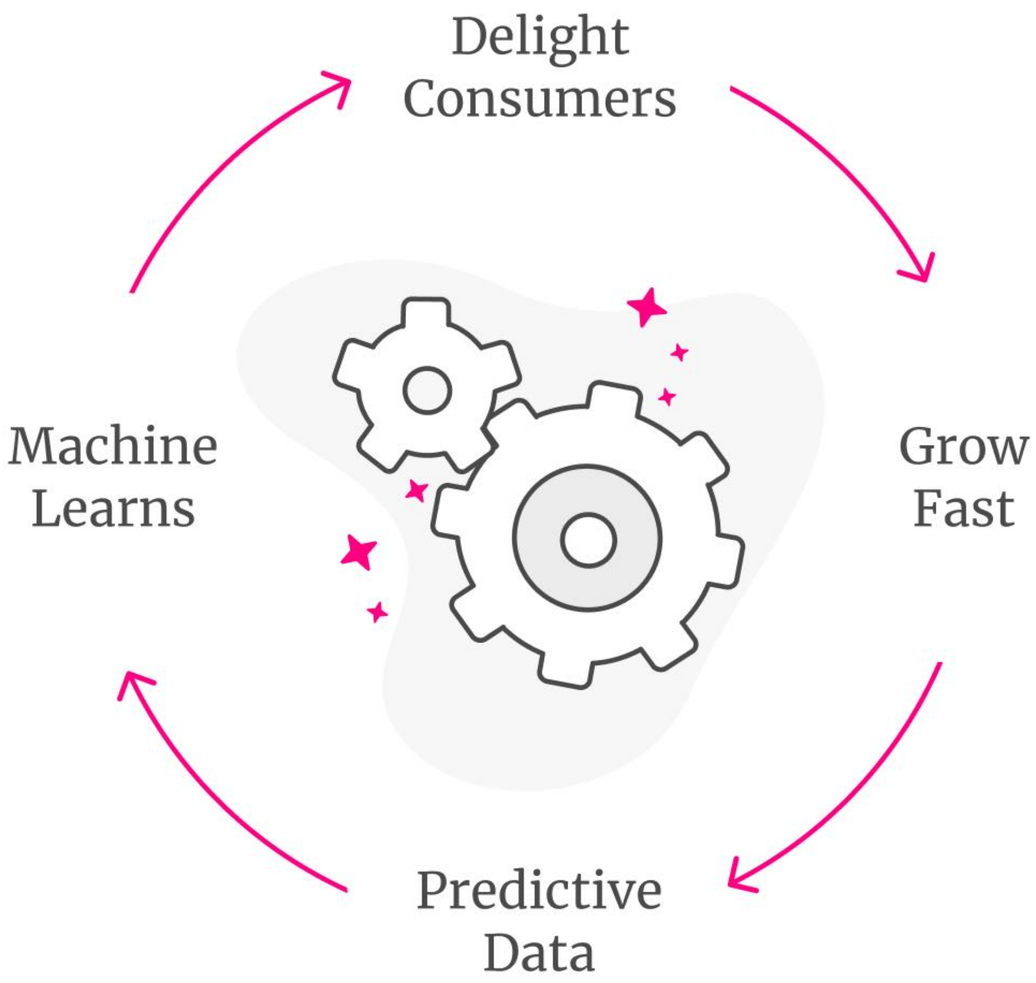
Ratemaking Machine

2 Months of Coding



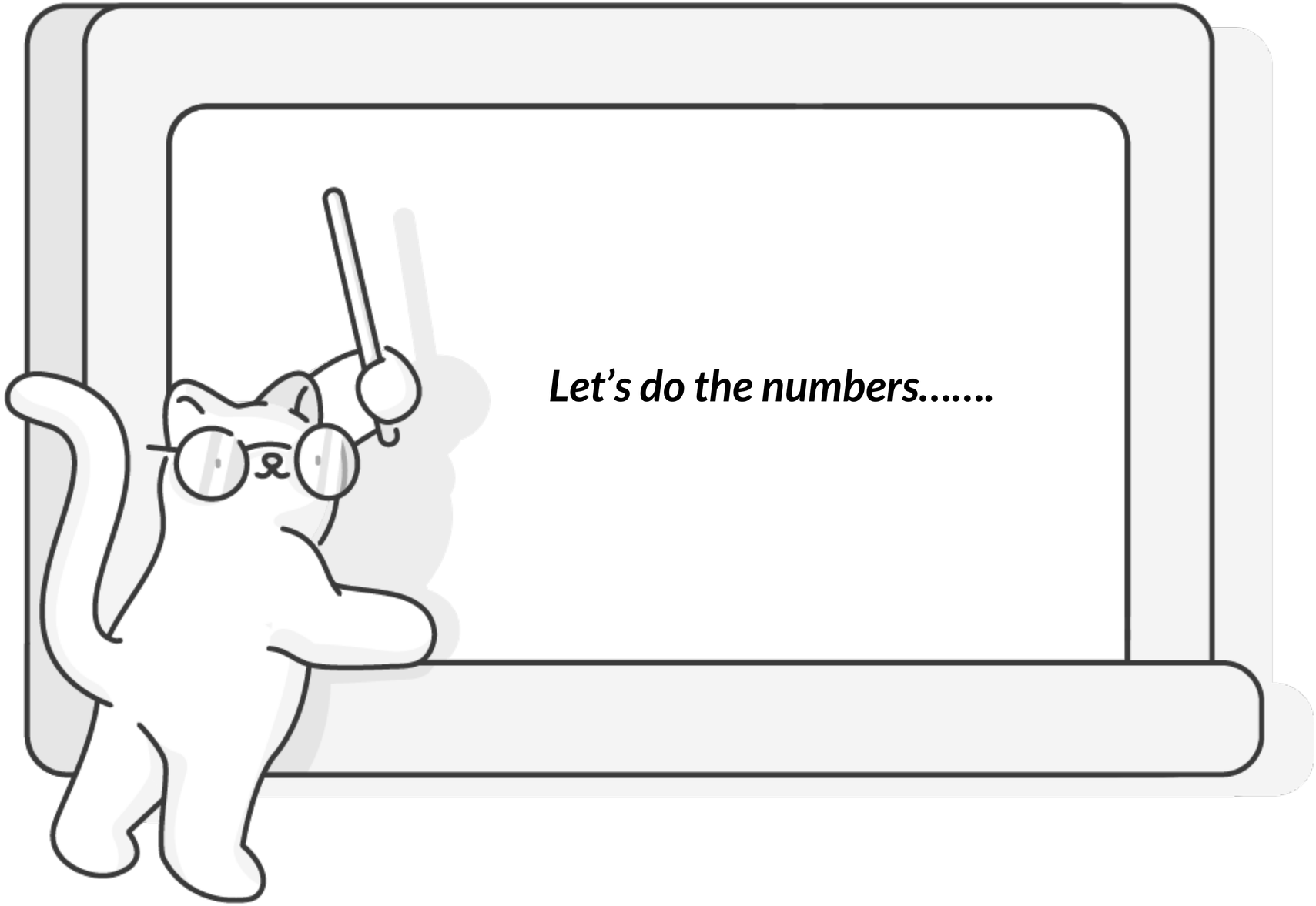
Zero Coding

Our Strategy



Lemonade

Tim Bixby
November 15 2022


Let’s do the numbers…….

20%

5 year IFP CAGR

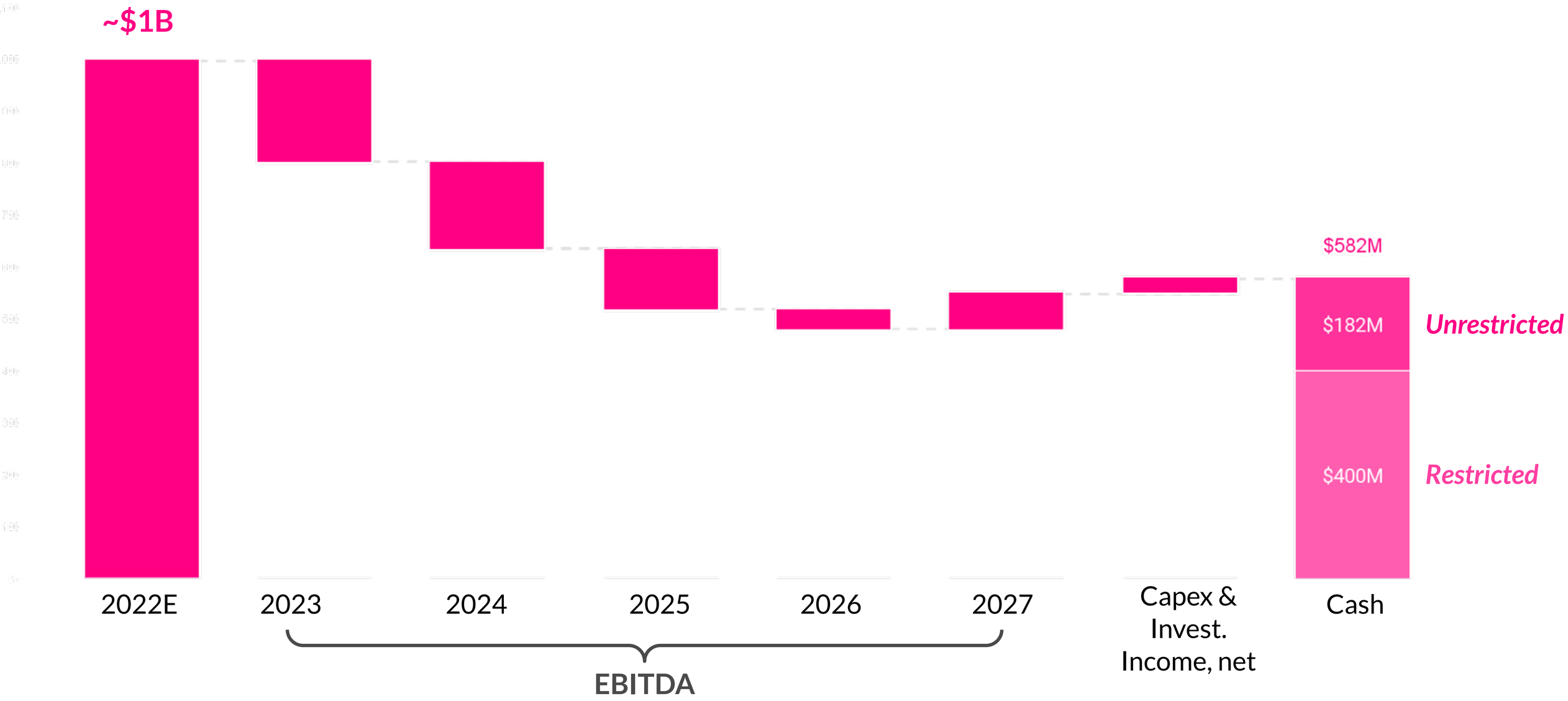
70%

Gross Loss Ratio (2027)

~25%

Multi-line customer rate by 2027

Cash/Investments



*Net working capital assumed to be zero

20%

5 year IFP CAGR

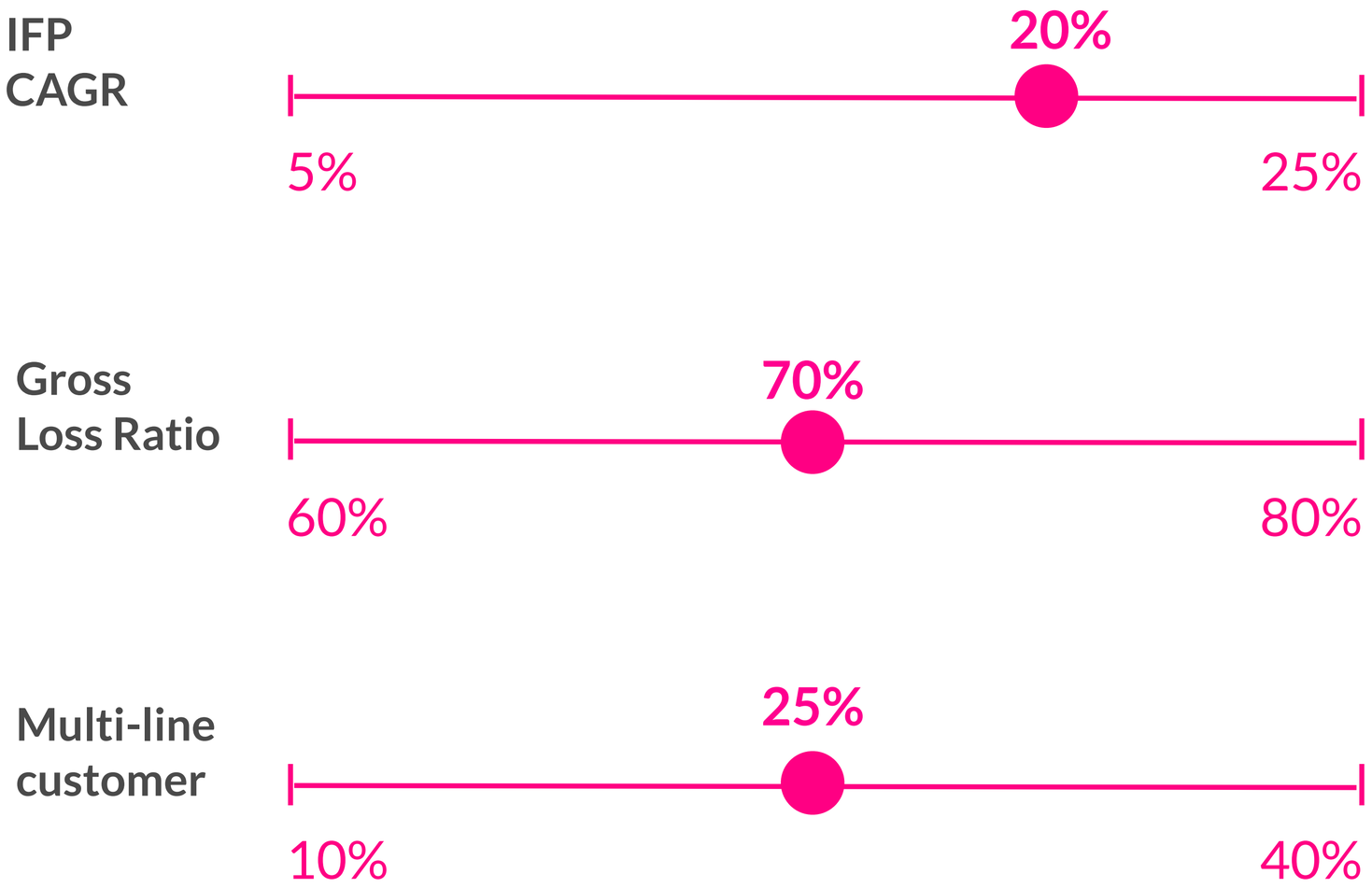
70%

Gross Loss Ratio (2027)

~25%

Multi-line customer rate by 2027

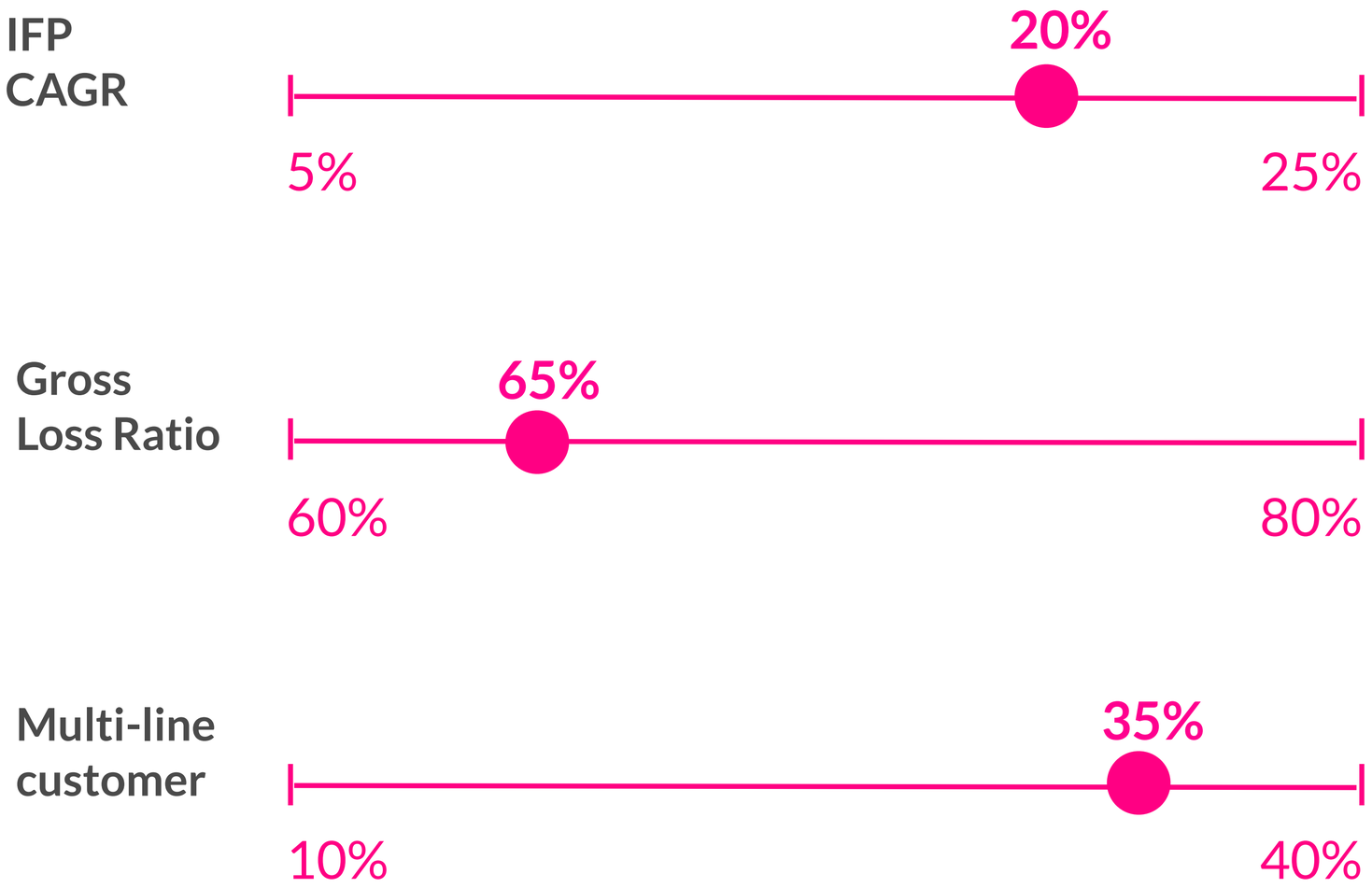
Base - Profitable within 5 years



~$100M
Minimum
Unrestricted Cash

Mid '26
Turning profitable

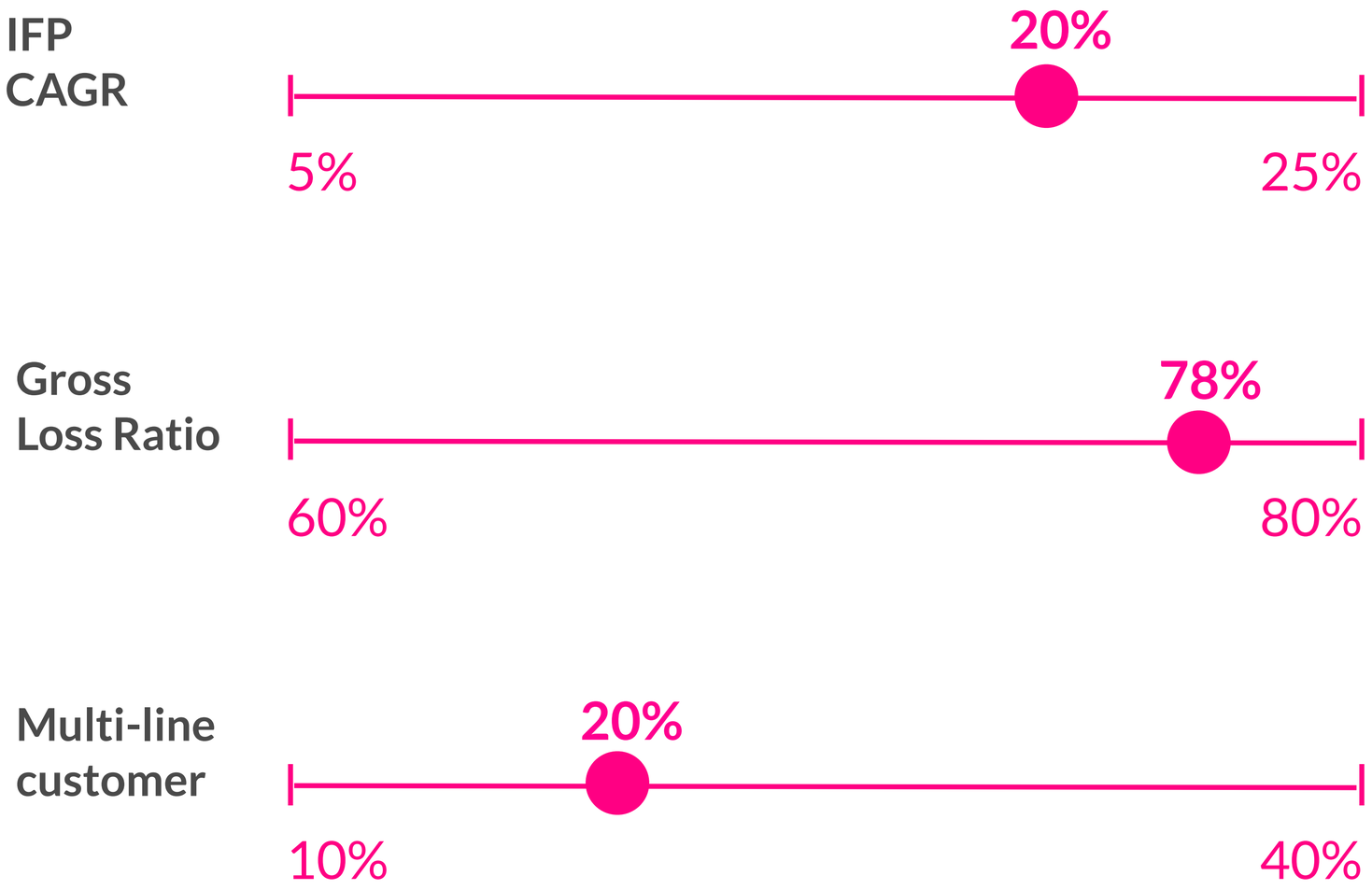
Better - Earlier Profitability



~$175M
Minimum
Unrestricted Cash

2025
Turning profitable

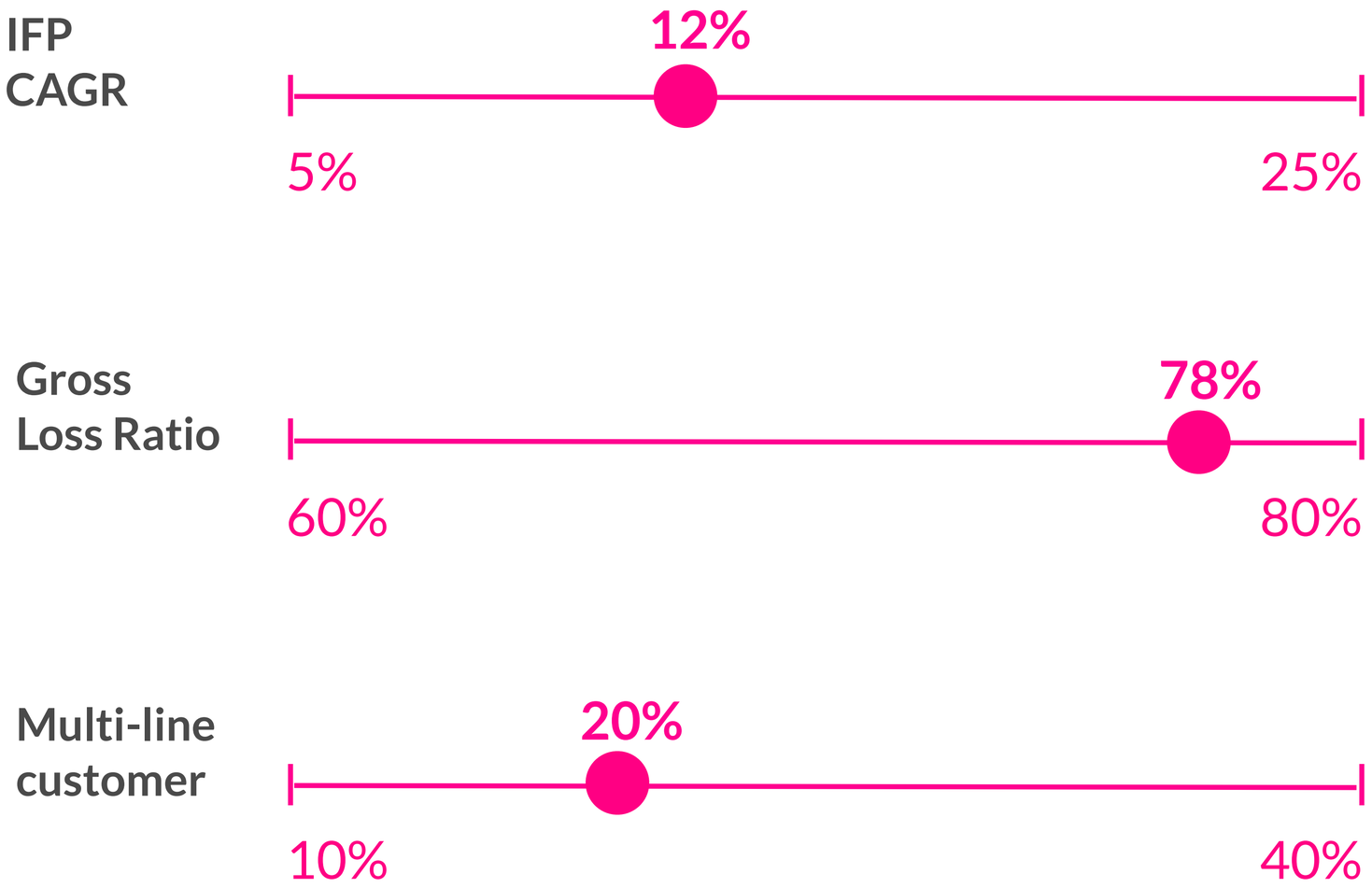
Worse - Later Profitability



~$125M

Unrestricted Cash Deficit In 2027

Adjusted Growth - Profitability in 5 years



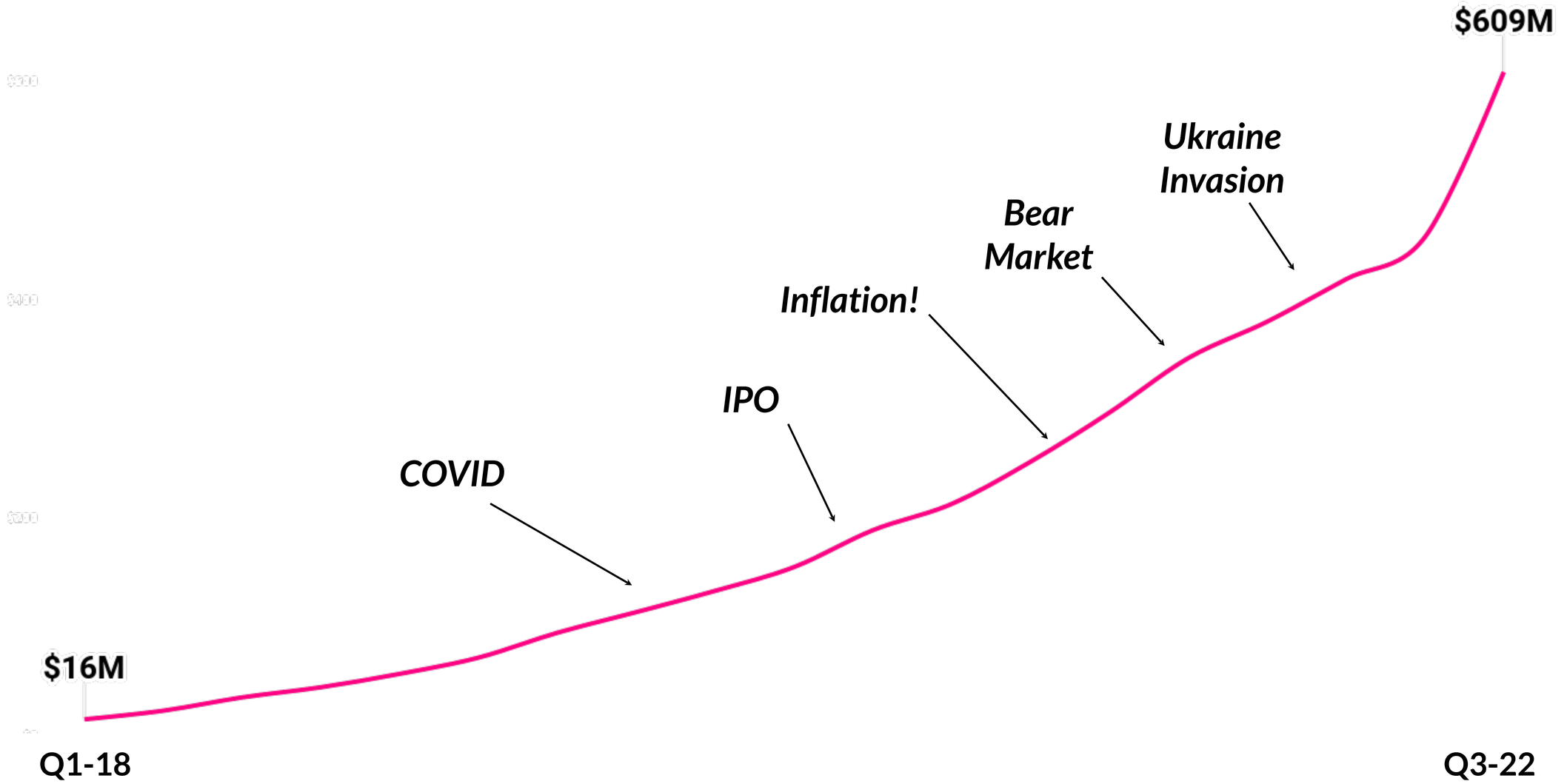
~$100M
Minimum
Unrestricted Cash

2026
Turning profitable

Metrics

Consistent, Steady Topline Growth

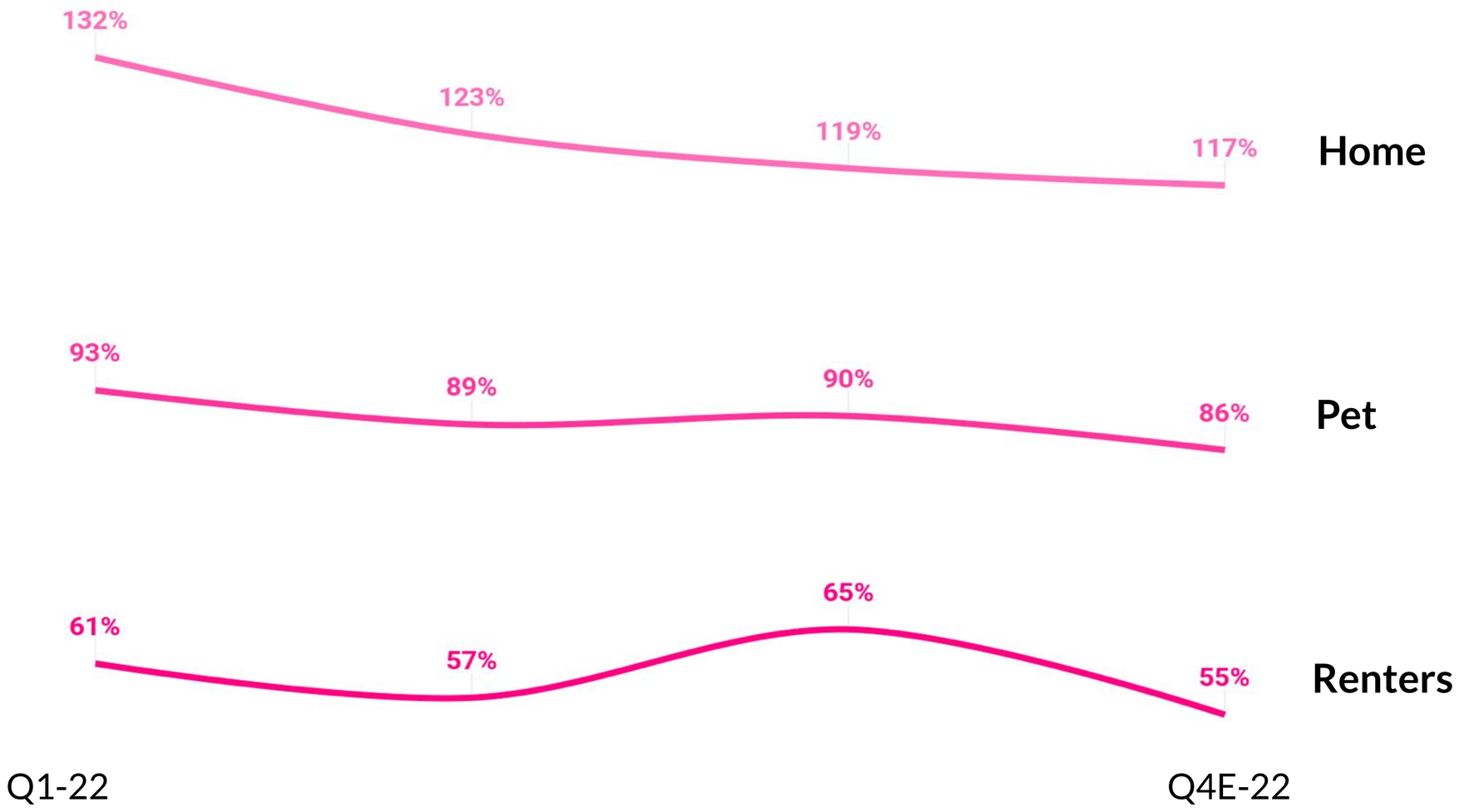
IFP development



10/10

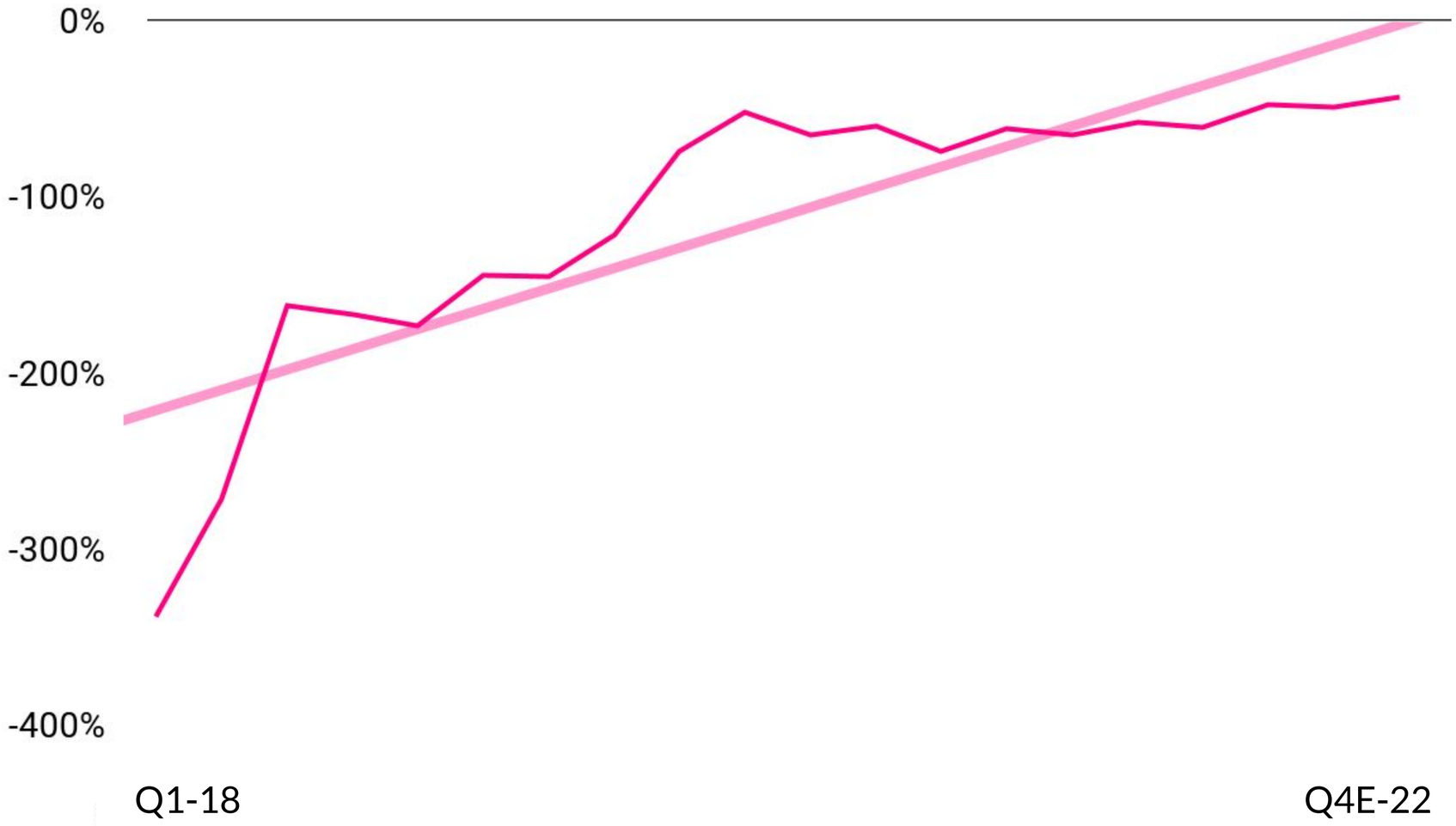
For 10 consecutive quarters, we have met or beat our financial guidance

Loss Ratio by Product



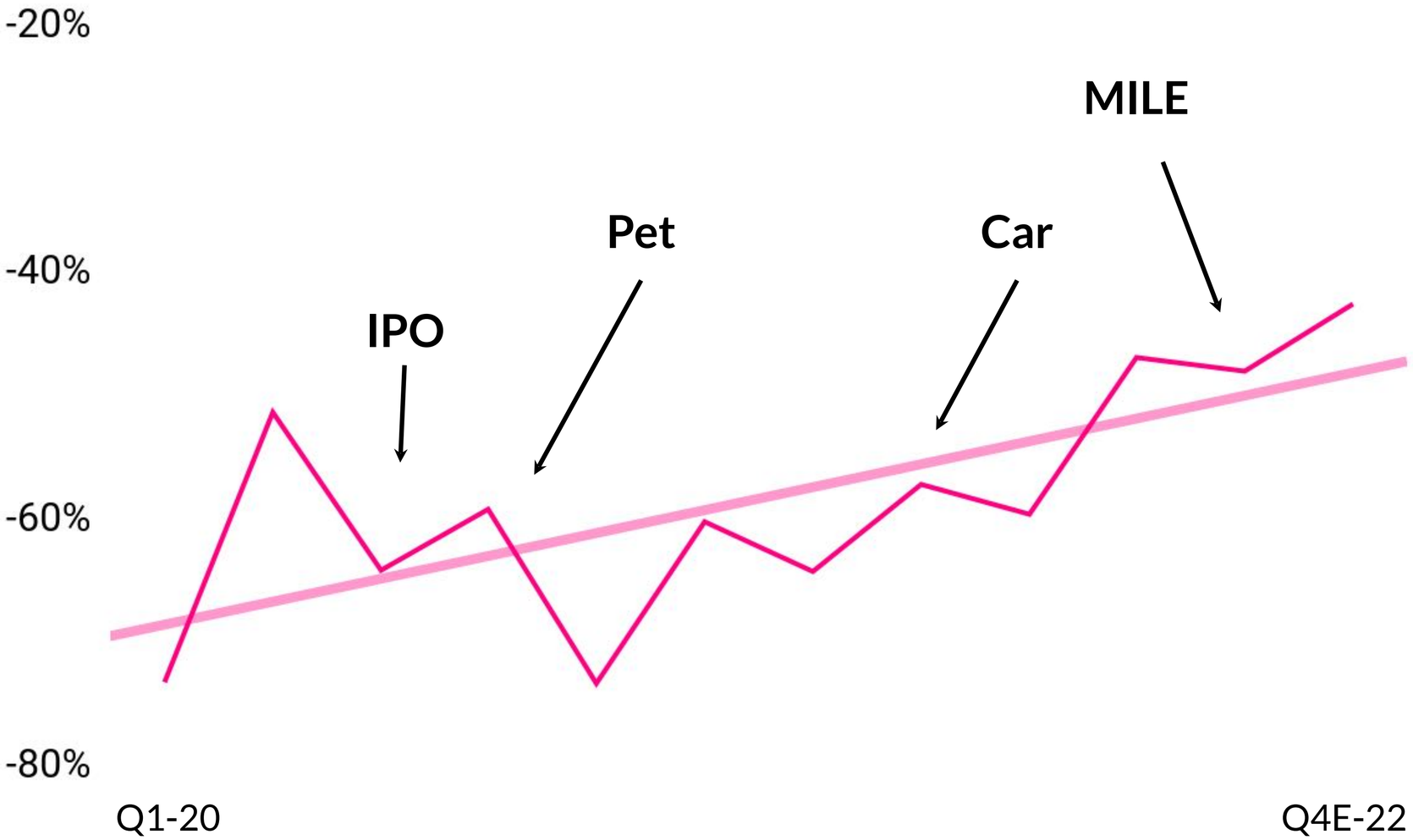
Larger Investments Behind Us

EBITDA/Gross Earned Premium, 5 years



Continued Improvement

EBITDA/Gross Earned Premium, 3 years

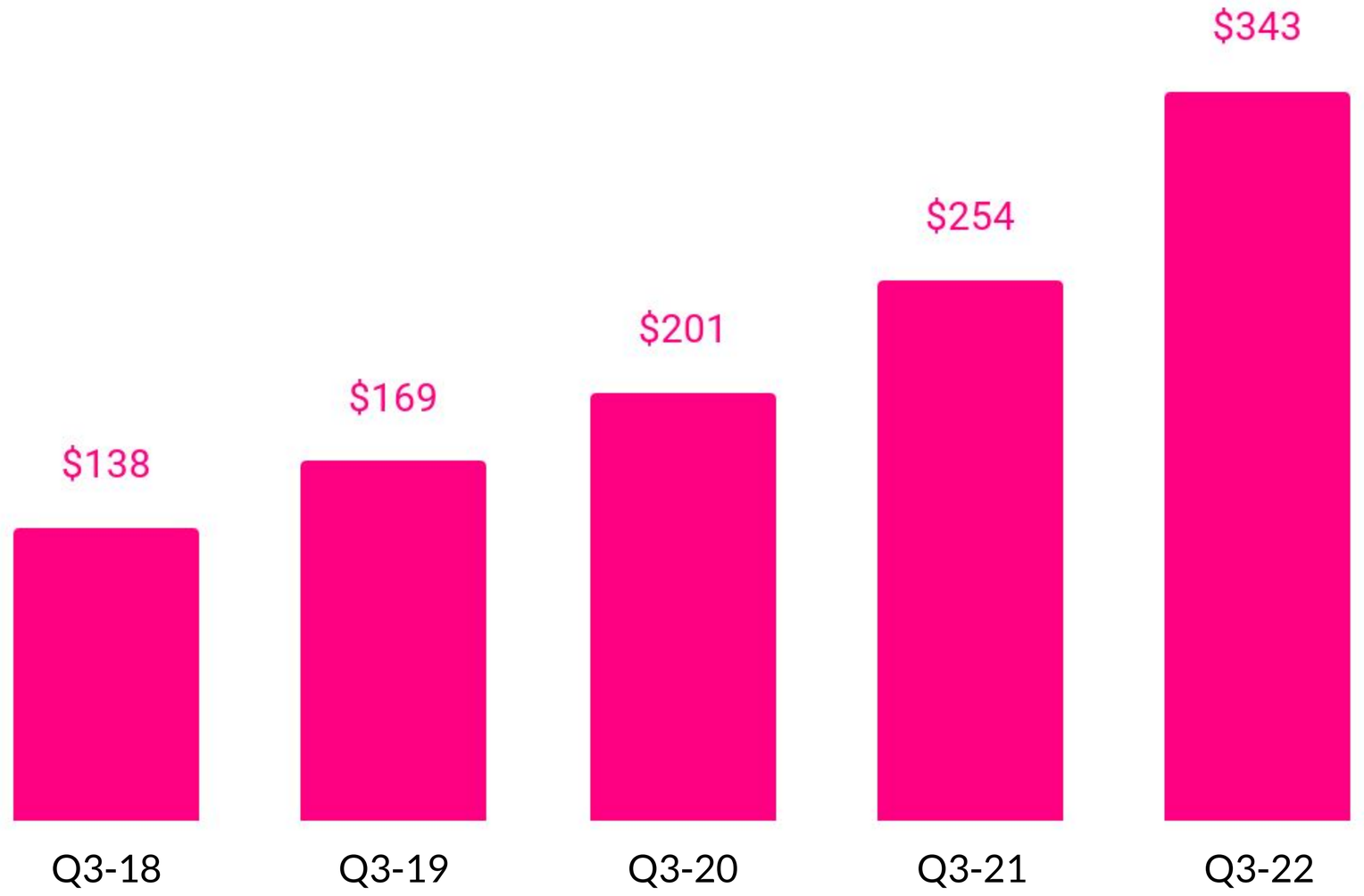


Improving Efficiency & Automation

IFP/headcount ($ 000's)

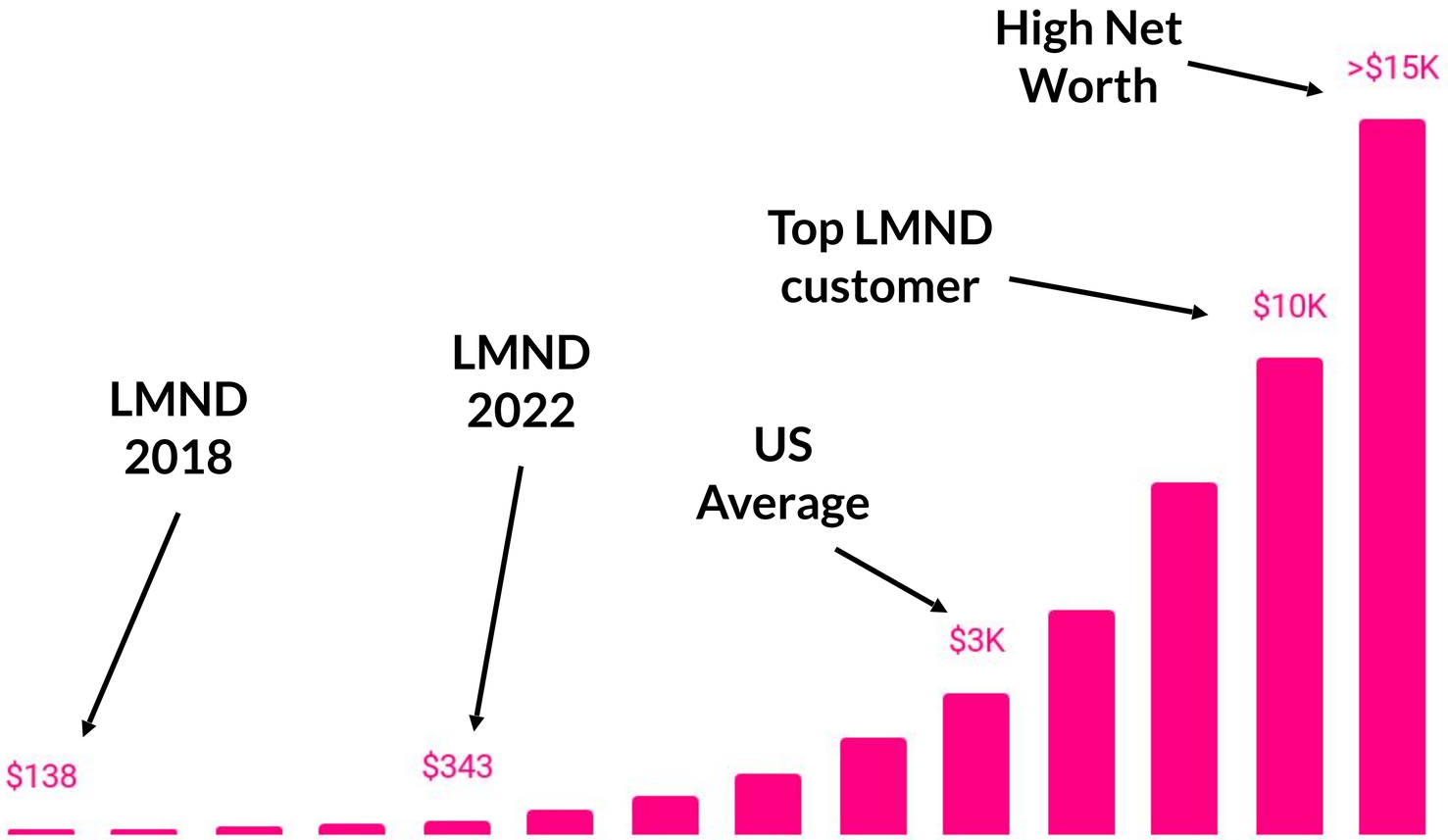
Consistent Premium Growth

Annual premium per customer



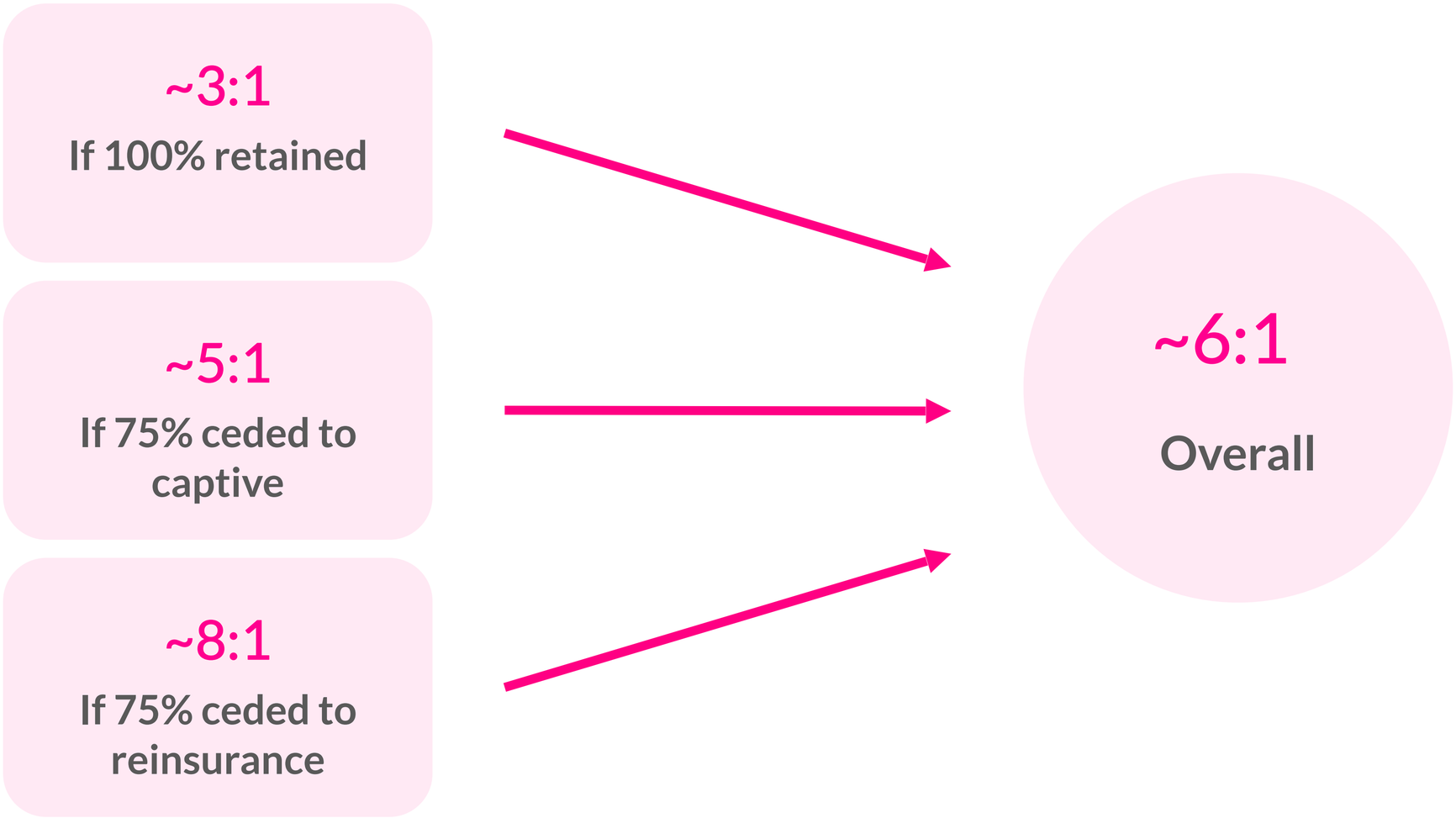
Vast Potential to Grow With Customers

Annual premium per customer



Surplus Strategy

Evolving Surplus Strategy

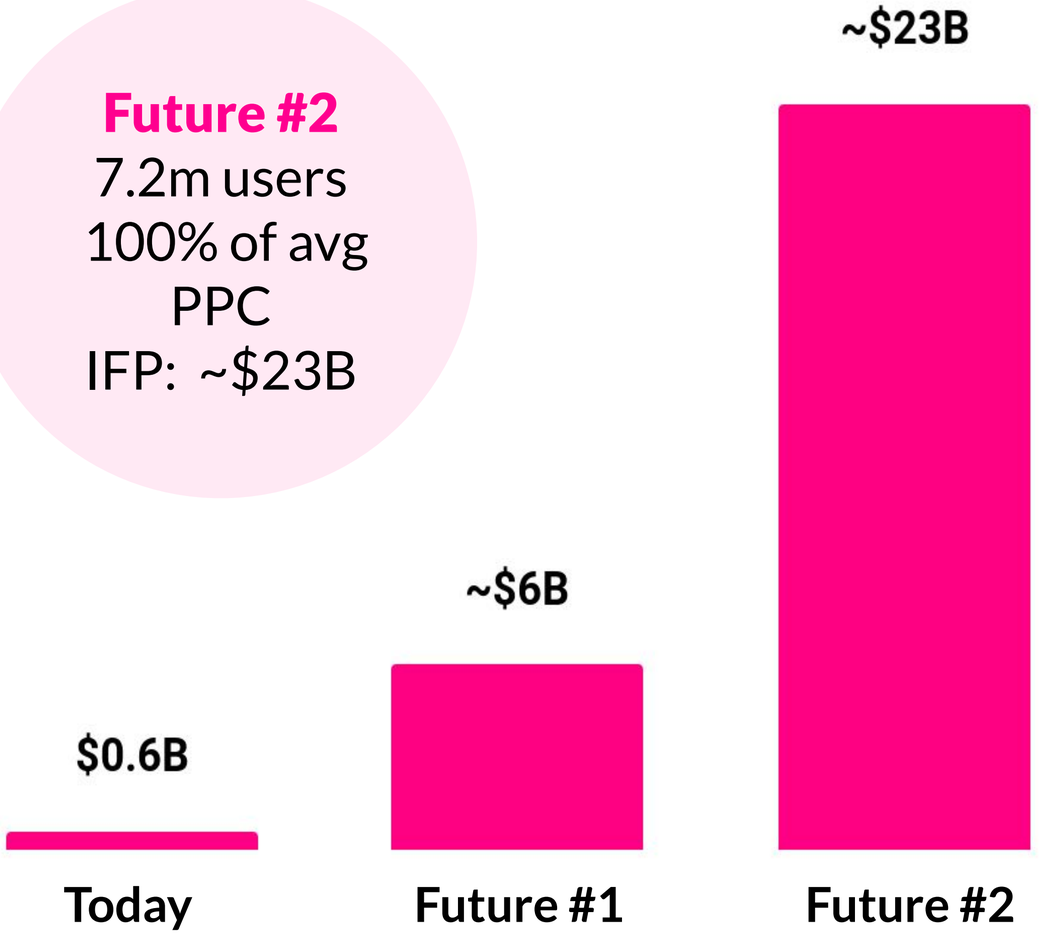


What if…..?

Today
1.8m customers
$343 PPC
IFP: ~$0.6B

Future #1
3.6m users
50% of avg PPC
IFP: ~$6B

Future #2
7.2m users
100% of avg PPC
IFP: ~$23B



Lemonade

Investor Day
November 15 2022