**Risk Factors Comparison 2024-02-28 to 2023-03-03 Form: 10-K**

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks, together with all of the other information contained in this Annual Report, before deciding to invest in our common stock. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks or uncertainties ~~, as well as by risks or uncertainties not currently known to us, or that we do not currently believe are material~~ . In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. Unless the context indicates otherwise, references in this section to the " merger " or " mergers " refer to the acquisition consummated on July 28, 2022 pursuant to the terms of that certain 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. Risks Relating to Our Business We have a history of losses and we may not achieve or maintain profitability in the future. We have not been profitable since our inception in 2015 and had an accumulated deficit of $ **1, 096. 6 million and $** 859. 7 million ~~and $ 561. 9 million~~ as of December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022** , respectively. We incurred net losses of $ **236. 9 million and $** 297. 8 ~~million and $ 241. 3~~ million in the years ended December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022** , respectively. We expect to make significant investments to further develop and expand our business. In particular, we expect to continue to expend substantial financial and other resources on marketing and advertising as part of our strategy to increase our user base. The marketing and advertising expenses that we incur are typically expensed immediately while any revenues that they generate are recognized ratably over the 12- month term of each insurance policy that we write. This timing difference can therefore result in expenses that exceed the related revenue generated in any given year. As a public company, we have incurred and expect to continue to incur significant legal, accounting and other expenses that we did not incur as a private company. We expect that our net loss will increase in the near term as we continue to make such investments to grow our business. Despite these investments, we may not succeed in increasing our revenue on the timeline that we expect or in an amount sufficient to lower our net loss and ultimately become profitable. Moreover, if our revenue declines, we may not be able to reduce costs in a timely manner because many of our costs are fixed at least in the short term. In addition, if we reduce variable costs to respond to losses, this may limit our ability to sign up new customers and grow our revenues. Accordingly, we may not achieve or maintain profitability and we may continue to incur significant losses 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. We have experienced significant customer growth since we commenced operations; however, we may not be able to maintain this growth and thus, our customer base could stop growing or even shrink over time. Our ability to attract new customers and retain existing customers depends, in large part, on our ability to continue to be perceived as providing delightful and superior insurance- buying and claims- filing customer experiences, competitive pricing, and adequate insurance coverage. In order to maintain this perception, we may be required to incur significantly higher marketing and advertising expenses, costs related to improving our service, and lower margins in order to attract new customers and retain existing customers. If we fail to remain competitive on customer experience, pricing, and insurance coverage options, our ability to grow our business and generate revenue by attracting and retaining customers may be adversely affected. There are many factors that could negatively affect our ability to grow our customer base, including if: • we fail to effectively use search engines, social media platforms, digital app stores, content- based online advertising, and other online sources for generating traffic to our website and our online app; • potential customers in a particular marketplace or generally do not meet our underwriting guidelines; • our competitors mimic our digital platform, causing current and potential customers to purchase their insurance products instead of our products; • our digital platform experiences disruptions; • we experience unfavorable shifts in customer perception of our chat- bots; • we suffer reputational harm to our brand resulting from negative publicity, whether accurate or inaccurate; • we fail to expand geographically; • we fail to offer new and competitive products; • customers have difficulty installing, updating or otherwise accessing our app or website on mobile devices or web browsers as a result of actions by us or third parties; • technical or other problems frustrate the customer experience, particularly if those problems prevent us from generating quotes or paying claims in a fast and reliable manner; or • we are unable to address customer concerns regarding the content, privacy, and security of our digital platform. Our inability to overcome these challenges could impair our ability to attract new customers and retain existing customers, and could have a material adverse effect on our business, revenue, operating results and financial condition. The" Lemonade" brand may not become as widely known as incumbents' brands or the brand may become tarnished. Many of our competitors have brands that are well recognized. As a relatively new entrant into the insurance market, we spend considerable money and other resources to create brand awareness and build our reputation. We may not be able to build brand awareness, and our efforts at building, maintaining and enhancing our reputation could fail. Complaints or negative publicity about our business practices, our marketing and advertising campaigns, our compliance with applicable laws and regulations, the integrity of the data that we provide to consumers or business partners, data privacy and security issues, and other aspects of our business, whether valid or not, could diminish confidence in our brand, which could adversely affect our reputation and business. As we expand our product offerings and enter new markets, we need to establish our reputation with new customers, and to the extent we are not successful in creating positive impressions, our business in these newer markets could be adversely affected. **We may** ~~There can be no~~ **not** ~~assurance that we will~~ be able to maintain or enhance our reputation, and failure to do so could materially adversely affect our business, results of operations and financial condition.

If we are unable to maintain or enhance consumer awareness of our brand cost- effectively, our business, results of operations and financial condition could be materially adversely affected. 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. We must accurately and timely evaluate and pay claims that are made under our policies. Many factors affect our ability to pay claims accurately and timely, including the efficacy of our artificial intelligence claims processing, the training and experience of our claims adjusters, including our third- party claims administrators, and our ability to develop or select and implement appropriate procedures and systems to support our claims functions. The speed by which our artificial intelligence technology allows us to process and pay claims is a differentiating factor for our business and an increase in the average time to process claims could undermine our reputation and position in the insurance marketplace. Any failure to pay claims accurately or timely could also lead to regulatory and administrative actions or material litigation, or result in damage to our reputation, any one of which could materially and adversely affect our business, financial condition, results of operations, and prospects. If our claims adjusters or third party claims administrators are unable to effectively process our volume of non- automated claims, our ability to grow our business while maintaining high levels of customer satisfaction could be compromised, which in turn, could adversely affect our operating margins. Our future revenue growth and prospects depend on attaining greater value from each user. Our future growth and prospects depend on our ability to increase the premium per customer of our users, as described in the section titled" Management' s Discussion and Analysis of Financial Condition and Results of Operations." Currently, the large majority of our users are renters. In order to increase our premium per customer, we must increase the number of higher- priced customers, such as homeowners, and the proportion of higher- priced customers relative to lower- priced customers, such as renters. Our business model is premised on the expectation that a significant number of our users that are renters will continue to retain coverage with us as they move from being renters to homeowners. Currently, however, given our limited operating history, substantially all of our current homeowner users are new users who were not previously renters with us. The purchase of a home is a significant event in a person' s life and we cannot provide assurances that we will succeed in retaining existing customers that are renters as they become homeowners. This may occur for a variety of factors. For example, at the time a renter purchases a home, he or she is exposed to a large number of service providers who have direct and personal access to that renter in a way that we do not. Those service providers may have, and share, their own views and preferences for homeowners insurance. Furthermore, given the expenditure involved in a home purchasing decision, differences in price between our insurance product and that of our competitors may appear less significant. In addition, there may even be a perception that a higher priced policy from a traditional brand name insurer may be of higher quality when coupled with the size and longevity of such traditional insurers. A failure to retain renters as they transition to homeowner status may materially adversely impact our future growth and prospects. Moreover, we also sell homeowner policies directly, or indirectly through independent insurance agencies, to customers who did not previously have a renters policy with us. To the extent we are unable to sell homeowner policies directly or via our insurance agency partners to new customers either now or in the future, our ability to increase our premium per customer would be negatively impacted, which could materially adversely impact our future growth and prospects. The novelty of our business model makes its efficacy unpredictable and susceptible to unintended consequences. Our business model is predicated on behavioral economics. Under our model, excess premiums can be donated to nonprofits selected by our customers as part of our annual' Giveback'. **We** ~~While we~~ designed our business model to attract users, align our incentives with those users, discourage fraudulent claims and allow us to offer competitive pricing, **but it** ~~our business model~~ may not operate as intended over time and on a larger scale. For example: • Our commitment to charitable giving through our Giveback program may not align our interests with those of our customers or prospective customers to the extent anticipated. Moreover, our commitment to charitable giving may not resonate with our existing customers or may fail to attract new customers. • The amount contributed to nonprofits may be viewed as insufficient by existing or new customers. Furthermore, there may be insufficient money remaining after paying claims to make charitable contributions. • See" Business — Our Vertically-Integrated Platform — Reinsurance." False claims or higher than expected claims could cause reinsurers to charge higher rates, refuse to provide reinsurance or provide reinsurance on less favorable terms. ~~While~~ **The control procedures** we have implemented ~~control procedures~~ to detect false claims, ~~such procedures~~ may not prevent such claims from being filed or prevent a sufficient number of them from being paid out. The failure of our business model to function as intended could materially and adversely impact our financial condition and results of operations. 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 Giveback is a cornerstone of our business model that, when coupled with our fixed fee, works to align our interests with those of our customers, which we believe builds trust, minimizes fraud, and keeps our costs down. If a state, federal authority or foreign jurisdiction was to find that the Giveback was a rebate rather than a charitable contribution, or impermissible on other grounds, we may not be able to donate the residual value of our customers' premiums to nonprofits in certain, or any, of the states or foreign jurisdictions in which we operate. If even one regulator were to disallow the Giveback, it could force us to abandon the Giveback in part or entirely, either of which could undermine the behavioral economics foundation on which our business model is based, which in turn could materially and adversely affect our brand, financial condition and results of operations. Additionally, we could modify, reduce or eliminate the Giveback at our discretion for a variety of reasons. Lemonade Insurance Company' s board of directors may determine the amount and distribution of the Giveback by taking into consideration various factors such as the current goodwill and reputation of the nonprofit selected by customers, the amount of funds available for distribution by each cohort, the reasonableness of such contribution, and general shareholders' interests, such as the proposed amount and distribution of the Giveback against factors like overall shareholder returns, our financial and operating performance, and our social responsibility and the benefits shareholders and their communities receive from proposed contributions. Before determining the amount of the Giveback, Lemonade Insurance Company' s board of directors may also analyze the extent of our reinsurance coverage and management' s expectations with respect to such reinsurance coverage for the upcoming fiscal year, particularly as it relates to the amount of capital and surplus required to continue to operate successfully. If after weighing any of these factors, Lemonade Insurance Company' s board of directors were to reduce or eliminate the Giveback, our business model would be impacted, which, in turn, could materially and adversely affect our brand, financial condition and results of operations. Our limited operating history makes it difficult to evaluate our current business performance, implementation of our business model, and our future prospects. We launched our business to sell renters and homeowners insurance in late 2016 and have a limited operating history. Due to our limited operating history and the rapid growth we have experienced since we began operations, our operating results are hard to predict, and our historical results may not be indicative of, or comparable to, our future results. In addition, we have limited data to validate key aspects of our business model. For example, our user base is made up primarily of renters and we have very few instances of those renters becoming homeowners, a key element of our business model. It is also difficult for us to track that data **and** ~~. We cannot provide any assurance that~~ the data that we collect ~~will~~ **may not** provide useful measures for evaluating our business model. Our inability to adequately assess our performance and growth could have a material adverse effect on our brand, business, financial condition and results of operations. We may not be able to manage our growth effectively. Our revenue grew from $ ~~94~~ **128** . 4 million for the year ended December 31, ~~2020~~ **2021** , $ ~~128~~ **256** . ~~4~~ **7** million for the year ended December 31, ~~2021~~ **2022** , to $ ~~256~~ **429** . ~~7~~ **8** million for the year ended December 31, ~~2022~~ **2023** . Our total **number of** employees grew from ~~567~~ **1, 119** as of December 31, ~~2020~~ **2021** , to 1, ~~119~~ **367** as of December 31, ~~2021~~ **2022** , and **then declined slightly** to 1, ~~367~~ **258** as of December 31, ~~2022~~ **2023** . Our rapid growth has placed and may continue to place significant demands on our management and our operational and financial resources ~~. We have hired and expect to continue hiring additional personnel to support our rapid growth~~ . Our organizational structure is becoming more complex as we add staff, and we will ~~need~~ **continue** to enhance our operational, financial and management controls as well as our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture of rapid innovation, teamwork and attention to the insurance ~~–~~buying experience for the customer. If we cannot manage our growth effectively to maintain the quality and efficiency of our customers' insurance- buying experience, as well as their experience as ongoing customers, our business could be harmed as a result, and our results of operations and financial condition could be materially and adversely affected. Intense competition in the segments of the insurance industry in which we operate could negatively affect our ability to attain or increase profitability. The renters and homeowners insurance market is highly competitive with carriers competing through product coverage, reputation, financial strength, advertising, price, customer service and distribution. While we face limited direct competition from traditional insurance companies for first- time renters, we face significant competition from traditional insurance companies for homeowners, car and life. Competitors include companies such as Allstate, Farmers, Liberty Mutual, State Farm, GEICO, Progressive and Travelers. These companies are larger than us and have significant competitive advantages over us, including increased name recognition, higher financial ratings, greater resources, and additional access to capital. Our future growth will depend in large part on our ability to grow our homeowners insurance business in which traditional insurance companies retain certain advantages. In particular, unlike us, many of these competitors offer consumers the ability to purchase renters, homeowners and multiple other types of insurance coverage and" bundle" them together into one policy and, in certain circumstances, include an umbrella liability policy for additional coverage at competitive prices. Moreover, as we expand into new lines of business and offer additional products beyond renters, homeowners, pet, life and car insurance, we could face intense competition from insurance companies that are already established in such markets. Competitors in the pet insurance space include companies such as Nationwide, Embrace, and Trupanion. Competitors in the car insurance space include companies such as Progressive, GEICO and Allstate. Additionally, any new insurance products could take months to be approved by regulatory authorities, or may not be approved at all. We currently face competition by technology companies in the markets in which we operate. There are various technology companies that have recently started operating in adjacent insurance categories that may in the future offer renters, homeowners, pet, life and car insurance products. Technology companies may in the future begin operating and offering products at better and more competitive pricing than us, which could cause our results of operations and financial condition to be materially and adversely affected. In addition, traditional insurance companies may seek to adapt their businesses to sell insurance and process claims using technology similar to ours. Given their size, resources, and other competitive advantages, they may be able to erode any market advantage we may currently have over them. Reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business **and impact our capital needs** . 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. Reinsurance is a contract by which an insurer, which may be referred to as the ceding insurer, agrees with a second insurer, called a reinsurer, that the reinsurer will cover a portion of the losses incurred by the ceding insurer in the event a claim is made under a policy issued by the ceding insurer, in exchange for a premium. Our insurance subsidiaries, LIC and MIC, obtains reinsurance to help manage its 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. 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, limiting recovery. Reinsurers may become financially unsound by the time that they are called upon to pay amounts due, which may not occur for many years, in which case we may have no legal ability to recover what is due to us under our agreement with such reinsurer. Any disputes with reinsurers regarding coverage under reinsurance contracts could be time consuming, costly, and uncertain of success. We currently have proportional reinsurance contracts covering a significant portion of our business. Under the Proportional Reinsurance Contracts, which span all of our products and geographies, we transfer, or ~~"~~ **“** cede, ~~"~~ **”** a fixed share of our premiums to our reinsurers. In exchange, these reinsurers pay us a ~~"~~ **"** ceding commission **" on all premiums** ~~" of up to 25 % for every dollar~~ ceded **to the Reinsurers** , in addition to funding ~~all of~~ the corresponding claims ~~. This arrangement mirrors our fixed fee~~ , **subject to certain limitations** ~~and shields our gross margin from the volatility of claims, while improving capital efficiency~~ . We have opted to manage the remaining portion of our business with alternative forms of reinsurance. We have achieved this through the Non- Proportional Reinsurance Contracts. Our business is exposed to the risk of severe weather conditions and other catastrophes which are inherently unpredictable. To reduce risk, on July 1, ~~2022~~ **2023** , we entered into a one year property catastrophe excess of loss treaty ~~. We also purchase reinsurance to protect us from the peril of earthquake~~ . If we are unable to renegotiate, at the same or more favorable terms, the Proportional Reinsurance Contracts or the Non- Proportional Reinsurance Contracts when each expires, such changes could have an adverse impact on our business model. ~~See" Business — Our Vertically- Integrated Platform — Reinsurance."~~ We may change the structure of our reinsurance arrangement in the future, which may impact our overall risk profile and financial and capital condition. We may be unable to negotiate a new reinsurance contract to provide continuous coverage or negotiate reinsurance on the same terms and rates as are currently available, as such availability depends in part on factors outside of our control. A new contract may not provide sufficient reinsurance protection. Market forces and external factors, such as significant losses from hurricanes or terrorist attacks or an increase in capital requirements, impact the availability and cost of the reinsurance we purchase. If we were unable to maintain our current level of reinsurance, extend our reinsurance contracts or purchase new reinsurance protection in amounts that we consider sufficient at acceptable prices, we would have to either accept an increase in our exposure, reduce our insurance writings or develop or seek other alternatives. The unavailability of acceptable reinsurance cover would have an adverse impact on our business model, which depends on reinsurance companies to absorb any unfavorable variance from the level of losses anticipated at underwriting. If we are unable to obtain adequate reinsurance at reasonable rates, we would have to increase our risk exposure or reduce the level of our underwriting commitments, each of which could have a material adverse effect upon our business volume and profitability. Alternatively, we could elect to pay higher than reasonable rates for reinsurance coverage, which could have a material adverse effect upon our profitability until policy premium rates could be raised, in most cases subject to approval by state regulators, to offset this additional cost. Moreover, if adequate reinsurance cannot be obtained or maintained at reasonable rates, we may be unable to make contributions to the nonprofit organizations selected by our customers as part of our Giveback, which could erode customer trust, damage our brand, and have a material adverse effect on our financial condition and results of operations. Failure to maintain our risk- based capital at the required levels could adversely affect the ability of our insurance subsidiaries to maintain regulatory authority to conduct our business. We must have sufficient capital to comply with insurance regulatory requirements and maintain authority to conduct our business. The National Association of Insurance Commissioners (" NAIC") has developed a system to test the adequacy of statutory capital of U. S.- based insurers, known as risk- based capital that all states have adopted. This system establishes the minimum amount of capital necessary for an insurance company to support its overall business operations. It identifies insurers, including property- casualty insurers, that may be inadequately capitalized by looking at certain inherent risks of each insurer' s assets and liabilities and its mix of net written premiums. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action, including supervision, rehabilitation or liquidation. Moreover, as a new entrant to the insurance industry, we may face additional capital requirements as compared to those of our larger and more established competitors. Failure to maintain adequate risk- based capital at the required levels could adversely affect the ability of our insurance subsidiaries to maintain regulatory authority to conduct its business. See" Regulation — Risk- Based Capital." If we are unable to ~~expand~~ **maintain relationships with third- party service providers,** ~~our~~ **or** ~~product offerings~~ **renew contracts with them on favorable terms** , **or if those parties face financial, reputational or regulatory issues** our prospects for future growth may be adversely affected. **Some parts of our business depend on our relationships and contractual arrangements with third parties. If our third parties terminate business arrangements with us, or renew contracts on terms less favorable to us, we may fail to meet our business objectives and targets, and our cash flows, results of operations and financial condition could be adversely affected. For example, our life insurance product is offered through an arrangement with a life insurance provider. In these relationships, we rely on the third- party' s internal controls, to manage the product. Although we monitor the third- party provider' s and other service providers on an ongoing basis, our monitoring efforts may not be adequate, or our providers could exceed their authorities or otherwise breach obligations owed to us, which could result in operational disruption, reputational damage and regulatory intervention and otherwise have a material adverse effect on our results of operation and financial condition. If we are unable to expand our product offerings, or expand into new markets, our prospects for future growth may be adversely affected.** Our ability to attract and retain customers and therefore increase our revenue depends on our ability to successfully expand our product offerings **into new** ~~. While we have historically concentrated our efforts exclusively on the renters and homeowners insurance market~~ **markets . In 2020** , we launched pet insurance **and** in ~~2020~~ **2021** ~~, and~~ **we launched our** life and car insurance **products** ~~in 2021, in order~~ to ~~achieve~~ **add to** our ~~long- term growth goals~~ **renters and homeowners insurance offerings** . Our success in the renters ~~and~~ **,** homeowners **, pet, life and car** insurance ~~market~~ **markets** ~~depends~~ **depend** on our deep understanding of **each** ~~this industry. To penetrate new vertical markets~~ **market** ~~, we will need to develop a similar understanding of those new markets~~ and ~~the~~ associated business challenges faced by participants in them. Developing this level of understanding **of the newer markets we have entered** may require substantial investments of time and resources, and we may not be successful. In addition to the need for substantial resources, insurance regulation could limit our ability to introduce new product offerings or the states in which we offer them. Additionally, any new insurance products could take months to be approved by regulatory authorities, or may not be approved at all. If **our products are not competitive in current markets or** we ~~fail to~~ **do not** penetrate new ~~vertical~~ markets successfully, our revenue may grow at a slower rate than we anticipate and our business, results of operations and financial condition could be materially and adversely affected. In addition, our decision to expand our insurance product offerings beyond the renters, homeowners, pet, life and car insurance market would subject us to additional regulatory requirements specific to such insurance products, which, in turn, could require us to incur additional costs or devote additional resources to compliance. 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~~ . We utilize the data gathered from the insurance application process to determine whether or not to write a particular policy and, if so, how to price that particular policy. Similarly, we use proprietary artificial intelligence algorithms to process many of our claims. The data that we gather through our interactions with our customers is evaluated and curated by proprietary artificial intelligence algorithms. The continuous development, maintenance and operation of our deep- learned backend data analytics engine is expensive and complex, and may involve unforeseen difficulties including material performance problems, undetected defects or errors, for example, with new capabilities incorporating artificial intelligence. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our proprietary algorithms from operating properly. If our data analytics do not function reliably, we may incorrectly price insurance products for our customers or incorrectly pay or deny claims made by our customers. Either of these situations could result in customer dissatisfaction with us, which could cause customers to cancel their insurance policies with us, prevent prospective customers from obtaining new insurance policies, or cause us to underprice policies or overpay claims. **Such situations** ~~Additionally, our proprietary artificial intelligence algorithms~~ may **also result** ~~lead to unintentional bias and discrimination~~ in **fines and monetary penalties as well as** ~~the underwriting process, which could subject us to legal or~~ regulatory **orders requiring remedial, injunctive,** ~~liability. State legislatures and insurance regulators have shown increasing concern about the use of artificial intelligence and the potential for~~ **or** ~~discrimination in the underwriting process. For example, in 2022, both the California and Connecticut Departments of Insurance issued bulletins advising insurers of their~~ **other corrective action** ~~obligations related to unfair discrimination when using big data and artificial intelligence. We cannot predict what, if any, limitations state legislatures and insurance regulators may place on the use of artificial intelligence. Any of these eventualities could result in a material and adverse effect on our business, results of operations and financial condition~~ . Regulators may limit our ability to develop or implement our proprietary artificial intelligence algorithms and / or may eliminate or restrict the confidentiality of our proprietary technology, which could have a material adverse effect on our financial condition and results of operations. Our future success depends on our ability to continue to develop and implement our proprietary artificial intelligence algorithms, and to maintain the confidentiality of this technology. Changes to existing regulations, their interpretation or implementation, or new regulations could impede our use of this technology, or require that we disclose our proprietary technology to our competitors, which could impair our competitive position and result in a material adverse effect on our business, results of operations, and financial condition. Existing and 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. State and federal lawmakers, and insurance regulators are focusing upon the use of AI broadly, including concerns about transparency, deception, and fairness in particular. Changes in laws or regulations, or changes in the interpretation of laws or regulations by a regulatory authority, specific to the use of AI, may decrease our revenues and earnings and may require us to change the manner in which we conduct some aspects of our business. In addition, our business and operations are subject to various U. S. federal, state, and local consumer protection laws, including laws which place restrictions on the use of automated and non- automated tools and technologies to communicate with wireless telephone subscribers or consumers generally. For example, in the United States, the CAN- SPAM Act, among other things, obligates the sender of commercial emails to provide recipients with the ability to opt out of receiving future commercial emails from the sender. In addition, the Telephone Consumer Protection Act (TCPA) places restrictions on making outbound calls, faxes, and SMS text messages to consumers using certain types of automated or prerecorded technology or that involve marketing. Among other restrictions under the TCPA, with respect to phone calls and text messages, prior express consent, and in the case of certain marketing messages, prior express written consent, of consumers may be required before sending certain outbound calls or text messages. **We** ~~While we strive to be compliant with these and similar laws, we~~ could face allegations that we have violated the TCPA, CAN- SPAM Act, or similar laws, rules and regulations, and even if these allegations are without merit, we could face **regulatory inquiries,** lawsuits and related defense costs, liability (such as fines, damages, consent decrees, and injunctions), harm to our reputation and other losses that could harm our business. A California law, effective as of July 2019, makes it unlawful for any person to use a bot to communicate with a person in California online with the intent to mislead the other person about its artificial identity for the purpose of knowingly deceiving the person about the content of the communication in order to incentivize a purchase of goods or services in a commercial transaction. Although we have taken steps to mitigate our liability for violations of this and other laws restricting the use of electronic communication tools, no assurance can be given that we will not be exposed to civil litigation or regulatory enforcement. Further, to the extent that any changes in law or regulation further restrict the ways in which we communicate with prospective or current customers before or during onboarding, customer care, or claims management, these restrictions could result in a material reduction in our customer acquisition and retention, reducing the growth prospects of our business, and adversely affecting our financial condition and future cash flows. We rely on artificial intelligence, telematics, mobile technology, and our digital platforms to collect data 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 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. State legislatures and insurance regulators have also shown interest in the use of external data and artificial intelligence in insurance practices, including underwriting, marketing and claims practices. The National Association of Insurance Commissioners (" NAIC ") adopted Artificial Intelligence Principles in August 2020, and a number of states have had legislative or regulatory initiatives relating to the use of external data and artificial intelligence in the insurance industry, including bulletins issued in 2022 by the California and Connecticut Departments of Insurance **, and more recently in January 2024 by the New York State Department of Financial Services,** advising insurers of their obligations related to unfair discrimination when using big data and artificial intelligence. 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 50 states and ~~the District of Columbia~~ **Washington, D. C.** 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 car 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. There is also increasing focus on regulating the use of artificial intelligence and machine learning in Europe. ~~The~~ **On December 8, 2023, the** European **Union legislators reached** ~~Commission published its proposal for~~ a ~~regulation~~ **political agreement** on **the EU** ~~artificial~~ **Artificial** ~~intelligence~~ **Intelligence Act** ~~on April 12, 2021~~ ( ~~the~~ " **EU** ~~E. U.~~ AI Act "), **which establishes** a comprehensive **,** risk- based governance framework for ~~the use of~~ artificial intelligence **in the EU market** . The **EU** ~~E. U.~~ AI Act is **expected to enter into force** in **2024, and** the **majority** ~~early stages~~ of the ~~legislative process but~~ **substantive requirements will apply two years later. The EU AI Act will apply to companies like** ~~our~~ **ours that develop,** use ~~of~~ **and / or provide** artificial intelligence ~~will likely fall within the scope of the E. U. AI Act once in force,~~ **the EU** and **includes** ~~as such, we will have to ensure our operations are compliant with its~~ requirements ~~, including obligations~~ around transparency, conformity assessments ~~,~~ **and** monitoring, risk assessments, human oversight, security ~~and~~ **,** accuracy **, general purpose artificial intelligence and foundation models, and proposes fines for breach of up to 7 % of worldwide annual turnover** . In addition, **on September 28, 2022,** the European Commission ~~also proposes~~ **proposed** ~~to~~ **two** ~~update the~~ **Directives seeking to establish a harmonized** civil liability regime **for** ~~in the E. U. in relation to the use of~~ artificial intelligence **in** ~~, though these~~ -- **the EU,** ~~updates are not~~ in ~~force~~ **order to facilitate civil claims in respect of harm caused by artificial intelligence** and ~~like~~ **to include artificial intelligence- enabled products within** the ~~E~~ **scope of the EU' s existing strict liability regime** . ~~U.~~ **Once fully applicable, the EU** AI Act ~~is also in the early stages of the legislative process. Following these updates, claimants~~ will **have** ~~be able to bring~~ a ~~claim against operators of~~ **material impact on the way** artificial intelligence ~~more easily~~ **is regulated** in the **EU,** ~~ease of fault~~ and ~~strict liability will be imposed on~~ **together with developing guidance and / or decisions in this area, is likely to affect our use of** artificial intelligence ~~providers for changes made to an~~ **and our ability** ~~artificial intelligence enabled product once the product is already on the market (such as software updates). Once finalized the regulatory framework will require us~~ to ~~make changes to the way we~~ provide **and to improve** our services, require additional compliance measures ~~, lead~~ **and changes** to ~~substantial~~ **our operations and processes, result in increased compliance** costs ~~to ensure compliant practices~~ **and potential increases in civil claims against us,** and could adversely affect our business, operations and financial ~~conditions~~ - **condition** . 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~~ . Our success depends on our ability to attract consumers to our website and our online app and convert them into customers in a cost- effective manner. We depend, in large part, on search engines, social media platforms, digital app stores, content-based online advertising and other online sources for traffic to our website and our online app. With respect to search engines, we are included in search results as a result of both paid search listings, where we purchase specific search terms that result in the inclusion of our advertisement, and free search listings, which depend on algorithms used by search engines. For paid search listings, if one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, we could lose consumers and traffic to our website could decrease, any of which could have a material adverse effect on our business, results of operations and financial condition. For free search listings, if search engines on which we rely for algorithmic listings modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in reduced traffic to our websites. Our ability to maintain and increase the number of consumers directed to our products from digital platforms is not within our control. Search engines, social media platforms and other online sources often revise their algorithms and introduce new advertising products. If one or more of the search engines or other online sources on which we rely for traffic to our website and our online app were to modify its general methodology for how it displays our advertisements or keyword search results, resulting in fewer consumers clicking through to our website and our online app, our business and operating results are likely to suffer. In addition, if our online display advertisements are no longer effective or are not able to reach certain consumers due to consumers' use of ad- blocking software, our business and operating results could suffer. Additionally, changes in regulations or commercial practices could limit the ability of search engines and social media platforms, including, but not limited to, Google and Facebook, to collect data from users and engage in targeted advertising, making them less effective in disseminating our advertisements to our target customers. For example, the proposed Designing Accounting Safeguards to Help Broaden Oversight and Regulations on Data (DASHBOARD) Act would mandate annual disclosure to the SEC of the type and" aggregate value" of user data used by harvesting companies, such as, but not limited to, Facebook, Google and Amazon, including how revenue is generated by user data and what measures are taken to protect the data. If the costs of advertising on search engines and social media platforms increase, we may incur additional marketing expenses or be required to allocate a larger portion of our marketing spend to other channels and our business and operating results could be adversely affected. Similarly, insurance brokerage and distribution regulation may limit our ability to rely on key distribution platforms, such as the Lemonade API, if the third party distribution platforms are unable to continue to distribute our insurance products pursuant to insurance law and regulations. The marketing of our insurance products depends on our ability to cultivate and maintain cost- effective and otherwise satisfactory relationships with digital app stores, in particular, those operated by Google and Apple. ~~As we grow, we may struggle to maintain cost-effective marketing strategies, and our customer acquisition costs could rise substantially.~~ Furthermore, because many of our customers access our insurance products through an online app, we depend on the Apple App Store and the Google Play Store to distribute our online app. Both Apple and Google have broad discretion to change their respective terms and conditions applicable to the distribution of our online app, including those relating to the amount of (and requirement to pay) certain fees associated with purchases facilitated by Apple and Google through our online app, to interpret their respective terms and conditions in ways that may limit, eliminate or otherwise interfere with our ability to distribute online app through their stores, the features we provide and the manner in which we market in- app products. We cannot ~~assure you~~ **be certain** that Apple or Google will not limit, eliminate or otherwise interfere with the distribution of our online app, the features we provide and the manner in which we market our online app. To the extent either or both of them do so, our business, results of operations and financial condition could be adversely affected. Furthermore, one of the factors we use to evaluate our customer satisfaction and market position is our Apple App Store ratings. This rating, however, may not be a reliable indicator of our customer satisfaction relative to other companies who are rated on the Apple App Store since, to date, we have received a fraction of the number of reviews of some of the companies we benchmark against. We also attract customers through our relationships with certain business development partners. If our business development partners were to charge higher rates or decide to terminate their relationships with us, our ability to attract customers could be materially impaired. In addition, we have expanded our direct to customer acquisition channels, including subway and taxicab panels. Our efforts to acquire customers through direct marketing may subject us to increased regulatory scrutiny by state insurance regulators pursuant to unfair methods of competition or unfair or deceptive acts or practices laws. We may require additional capital to grow our business, which may not be available on terms acceptable to us or at all. To the extent that our capital is insufficient at any point in time to meet future operating requirements (including regulatory capital requirements) or to cover losses, we may need to raise additional funds through financings or curtail our projected growth. Many factors will affect our capital needs as well as their amount and timing, including our growth and profitability, the availability of reinsurance, as well as market disruptions and other developments. Historically, we have funded our operations, marketing expenditures and capital expenditures primarily through equity issuances. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans and operating performance, and the condition of the capital markets at the time we seek financing. In addition, the NYDFS and other regulatory bodies may not permit additional equity issuances or other forms of financing that we may wish to pursue. We cannot be certain that additional financing will be available to us on favorable terms, or at all. If we raise additional funds through the issuance of equity, equity- linked or debt securities, those securities may have rights, preferences or privileges senior to those of our common stock **and warrants** , and our existing stockholders may experience dilution. ~~Any~~ **Our stockholders may also face dilution as the warrants issued to Chewy Insurance Services, LLC which will vest in installments, in increasing amounts over a period of five years, subject to certain vesting events and thresholds. See Note 16 for more information about the terms of these warrants. Furthermore, any** debt financing secured by us in the future could require that a substantial portion of our operating cash flow be devoted to the payment of interest and principal on such indebtedness, which may decrease available funds for other business activities, and could involve restrictive covenants relating to our capital- raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth, maintain minimum amounts of risk- based capital and to respond to business challenges could be significantly limited, and our business, results of operations and financial condition could be adversely affected. Interruptions or delays in the services provided by our sole provider of third- party data centers or our internet service providers could impair the operability of our website and our online app and may cause our business to suffer. We currently offer our products through our website and online app using Amazon Web Services (" AWS") data centers, a provider of cloud infrastructure services. We do not have control over the operations of the facilities of AWS that we use. AWS' s facilities are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, floods, fires, severe storms, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, many of which are beyond our control, any of which could disrupt our services, prevent customers from accessing our products, destroy customer data, or prevent us from being able to continuously back up and record data. In the event of significant physical damage to one of these data centers, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities. If our data centers or related systems fail to operate properly or become disabled even for a brief period of time, we could suffer financial loss, a disruption of our business, liability to customers or damage to our reputation. We may not be able to easily switch our AWS operations to another cloud or other data center provider if there are disruptions or interference with our use of AWS, and, even if we do switch our operations, other cloud and data center providers are subject to the same risks. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our website and online app. We may not carry sufficient business interruption insurance, it may not be sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business that may result from interruptions in our services or products. AWS enables us to order and reserve server capacity in varying amounts and sizes distributed across multiple regions and provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. Termination of the AWS agreement may harm our ability to access data centers we need to host our website and online app or to do so on terms as favorable as those we have with AWS. As we continue to expand the number of customers to whom we provide our products and services, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of AWS data centers or third- party internet service providers to meet our capacity requirements could result in interruptions or delays in access to our website or online app or impede our ability to scale our operations. In the event that our AWS service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our website or online app as well as delays and additional expense in arranging new facilities and services, which could harm our business, results of operations, and financial condition. 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. Our continued success is dependent on our systems, applications, and software continuing to operate and to meet the changing needs of our customers and users. We rely on our technology and engineering staff and vendors to successfully implement changes to and maintain our systems and services in an efficient and secure manner. Like all information systems and technology, our website and online app may contain material errors, failures, vulnerabilities or bugs, particularly when new features or capabilities are released, and may be subject to computer viruses or malicious code, break- ins, phishing impersonation attacks, attempts to overload our servers with denial- of- service or other attacks, ransomware and similar incidents or disruptions from unauthorized use of our computer systems, as well as unintentional incidents causing data leakage, any of which could lead to interruptions, delays or website or online app shutdowns, or could cause loss of critical data, or the unauthorized disclosure, access, acquisition, alteration or use of personal or other confidential information. If we experience compromises to our security that result in technology performance, integrity, or availability problems, the complete shutdown of our website or our online app or the loss or unauthorized disclosure, access, acquisition, alteration or use of confidential information, customers may lose trust and confidence in us, and customers may decrease the use of our website or our online app, or stop using our website or our online app entirely. Further, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our information or customers' information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often they are not recognized until launched against a target, and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Even if we take steps that we believe are adequate to protect us from cyber threats, hacking against our competitors or other companies could create the perception among our customers or potential customers that our digital platform is not safe to use. A significant impact on the performance, reliability, security, and availability of our systems, software, or services may harm our reputation, impair our ability to operate, retain existing customers or attract new customers, and expose us to legal claims and government action, each of which could have a material adverse impact on our financial condition, results of operations, and growth prospects. We are periodically subject to examinations by our primary state insurance regulators, which could result in adverse examination findings and necessitate remedial actions. **We provide** ~~In addition,~~ insurance **through** ~~regulators of other states in which we are licensed to operate may also conduct examinations or~~ **our subsidiaries** ~~other targeted investigations~~ , **LIC** ~~which may also result in adverse examination findings~~ and **MIC** ~~necessitate remedial actions~~ . ~~As~~ **Since LIC is** a New York State- domiciled insurance company, ~~our~~ **LIC' s** primary insurance regulator responsible for ~~our~~ supervision and examination is the NYDFS. ~~Periodically~~ **Since MIC is domiciled in Delaware and is commercially domiciled in California** , **MIC' s primary** ~~the NYDFS performs examinations of~~ insurance ~~companies under its jurisdiction to assess compliance with applicable laws and regulations~~ **regulators** ~~,~~ **responsible for supervision and examination are the Delaware Department of Insurance and the California Department of Insurance. LIC and MIC are subject to a** financial ~~condition and the conduct of regulated activities. A financial condition~~

examination by **their primary insurance regulators every three to five years, under which they will review LIC and MIC' s financials, including their relationships and transactions with affiliates.** NYDFS ~~of Lemonade Insurance Company which began on October 28,~~ **is currently leading a group financial exam for LIC and MIC covering the years** 2019 **through** ~~was completed on June 23, 2020~~ **2022** ~~, and the findings did not necessitate any significant or material remedial actions. These periodic examinations provide the NYDFS a significant opportunity to review and scrutinize our business. If, as a result of any examination, the NYDFS determines that our financial condition, capital resources, or other aspects of any of our operations are less than satisfactory, or that we are in violation of applicable laws or regulations, the NYDFS may require us to take one or more remedial actions or otherwise subject us to regulatory scrutiny, such as pursuant to an enforcement action~~ . We cannot predict with precision the likelihood, nature, or extent of any necessary remedial actions, if any, resulting from any examination, or the associated costs of such remedial actions or regulatory scrutiny. In addition, insurance regulators of other states in which we are licensed to operate periodically conduct ~~financial condition or~~ market conduct examinations or other targeted investigations. We ~~have been~~ **are presently** subject to, and ~~may~~ in the future **will continue to** be subject to, such examination and investigations. Any regulatory or enforcement action or any regulatory order imposing remedial, injunctive, or other corrective action against us resulting from these examinations or investigations could have a material adverse effect on our business, reputation, financial condition or results of operations ~~. MIC is subject to a financial examination by the Delaware Department of Insurance every five years, under which it will review the MIC' s financials, including its relationships and transactions with affiliates. The Delaware Department of Insurance may also conduct special or targeted examinations to address particular concerns or issues at any time. The Delaware Department of Insurance completed MIC' s second financial examination covering the period January 1, 2018 through December 31, 2020, with no findings in the exam report. Insurance regulators of other states in which MIC is licensed may also conduct examinations, There are ongoing examinations by the California Department of Insurance and the New Jersey Department of Banking and Insurance~~ . The results of each examination can give rise to fines and monetary penalties as well as regulatory orders requiring remedial, injunctive, or other corrective action. 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. Use of technology to offer insurance products involves the storage and transmission of information, including personal information, in relation to our staff, contractors, business partners and current, past or potential customers. Security breaches, including by hackers or insiders, could expose confidential information, which could result in potential regulatory investigations, fines, penalties, compliance orders, liability, litigation and remediation costs, as well as reputational harm, any of which could materially adversely affect our business and financial results. For example, unauthorized parties could steal or access our users' names, email addresses, physical addresses, phone numbers and other information that we collect when providing insurance quotes, and credit card or other payment information if a customer agrees to purchase insurance coverage from us. Further, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our information or customers' information. Any of these incidents, or any other types of security or privacy related incidents, could result in an investigation by a competent regulator, resulting in a fine or penalty, or an order to implement specific compliance measures. It could also trigger claims by affected third parties. While we use encryption and authentication technology licensed from third parties designed to effect secure transmission of such information, we cannot guarantee the security of the transfer and storage of personal information. Any or all of the issues above could adversely affect our ability to attract new customers or retain existing customers, or subject us to governmental or third- party lawsuits, investigations, regulatory fines or other actions or liability, resulting in a material adverse effect to our business, results of operations and financial condition. In addition, many state legislatures have adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security, and data breaches. Such legislation includes the CCPA, which increases privacy rights for California residents and imposes obligations on companies that process their personal information, including an obligation to provide certain new disclosures to such residents. Specifically, among other things, the CCPA creates new consumer rights, and imposes corresponding obligations on covered businesses, relating to the access to, deletion of, and sharing of personal information collected by covered businesses, including California residents' right to access and delete their personal information, opt out of certain sharing and sales of their personal information, and receive detailed information about how their personal information is used. The law exempts from certain requirements of the CCPA certain information that is collected, processed, sold, or disclosed pursuant to the California Financial Information Privacy Act, the federal Gramm- Leach- Bliley Act or the federal Driver' s Privacy Protection Act. The definition of" personal information" in the CCPA is broad and may encompass other information that we maintain beyond that excluded under the Gramm- Leach- Bliley Act, the Driver' s Privacy Protection Act or the California Financial Information Privacy Act exemption. Further, the CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action increases the likelihood of, and risks associated with, data breach litigation. Additionally, a new California ballot initiative, the California Privacy Rights Act, or the CPRA, was recently passed in California and expands the scope of the CCPA and creates new consumer privacy rights for California residents, including rights to correct personal information. Further, the CPRA imposes additional obligations on businesses to implement data retention and minimization practices contractually limit the use of personal information by service providers and contractors, perform cybersecurity audits and risk assessments, and implement reasonable security. The CPRA also permits consumers to opt out of the sharing of personal information for use in behavioral advertising, which may impact our ability to market our products and services. The CPRA also establishes the California Privacy Protection Agency, which is the first data privacy regulator in the U. S., to enforce the CPRA. The CPRA strengthens some of the enforcement authority established under the CCPA and could result in increased enforcement actions and fines. We may incur additional costs associated with compliance efforts leading up to the effective date. Some observers have noted that the CCPA and CPRA could mark the beginning of a trend toward more stringent privacy legislation in the United States, and multiple states have enacted, or are expected to enact, similar laws. There is also discussion in Congress of a new comprehensive federal data protection and privacy law to which we likely would be subject if it is enacted. The effects of the CCPA and CPRA, and other similar state or federal laws, are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such legislation. As we continue to expand into Europe, we may also face particular privacy, data security, and data protection risks in connection with requirements of the GDPR and other data protection regulations. The GDPR ~~and the UK GDPR impose~~ **imposes** comprehensive data privacy compliance obligations in relation to our collection, processing, sharing, disclosure, transfer and other use of data relating to an identifiable living individual or " personal data ", including a principal of accountability and the obligation to demonstrate compliance through policies, procedures, training and audit. Any failure or perceived failure to comply with these rules may result in regulatory fines or penalties including orders that require us to change the way we process data (including by way of our algorithms). In the event of a data breach, we are also subject to breach notification laws in the jurisdictions in which we operate, including U. S. state laws and the GDPR, and the risk of litigation and regulatory enforcement actions. In addition, a number of federal and state laws and regulations relating to privacy affect and apply to the insurance industry specifically, including those imposed by the NYDFS. See" Business- Regulation." Additionally, we are subject to the terms of our privacy policies and privacy- related obligations to third parties. Any failure or perceived failure by us to comply with our privacy policies, our privacy- related obligations to customers or other third parties, or our privacy- related legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which could include personally identifiable information or other user data, may result in governmental or regulatory investigations, enforcement actions, regulatory fines, compliance orders, litigation or public statements against us by consumer advocacy groups or others, and could cause customers to lose trust in us, all of which could be costly and have an adverse effect on our business. In addition, new and changed rules and regulations regarding privacy, data protection (in particular those that impact the use of artificial intelligence) and cross- border transfers of customer information could cause us to delay planned uses and disclosures of data to comply with applicable privacy and data protection requirements. Moreover, if third parties that we work with violate applicable laws or our policies, such violations also may put personal information at risk, which may result in increased regulatory scrutiny and have a material adverse effect to our reputation, business and operating results. We employ third- party licensed software for use in our business, and the inability to maintain these licenses, errors in the software we license or the terms of open source licenses could result in increased costs or reduced service levels, which would adversely affect our business. Our business relies on certain third- party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third- party software in the future. Although we believe that there are commercially reasonable alternatives to the third- party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of new third- party software may require significant work and require substantial investment of our time and resources. Our use of additional or alternative third- party software would require us to enter into license agreements with third parties, which may not be available on commercially reasonable terms or at all. Many of the risks associated with the use of third- party software cannot be eliminated, and these risks could negatively affect our business. Additionally, the software powering our technology systems incorporates software covered by open source licenses. The terms of many open source licenses have not been interpreted by U. S. courts, and there is a risk that the licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to operate our systems. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code or re- engineer all or a portion of our technology systems, each of which could reduce or eliminate the value of our technology systems. Such risk could be difficult or impossible to eliminate and could adversely affect our business, financial condition, and results of operations. We may be subject to compliance obligations arising from medical information privacy regulations. By processing certain personal injury data on behalf of our clients, we may be subject to specific compliance obligations under privacy and data security- related laws specific to the protection of healthcare information. Although we may be subject to the Health Insurance Portability and Accountability Act, the Health Information Technology for Economic and Clinical Health Act, and related state laws, we do not have a process in place to assess or align our privacy and security practices specifically against requirements for protecting medical information. We may face particular privacy, data security, and data protection risks as we continue to expand into Europe and the UK in connection with the GDPR, UK GDPR, and other data protection regulations. The GDPR ~~/ UK GDPR (herein after referred to as GDPR)~~ applies to the processing of personal data by our business in the context of our establishments in the European Union and / or the UK ~~.~~ . In addition, all portions of our business established outside the European Union may be required to comply with the requirements of the GDPR with respect to the offering of products or services to individuals in the European Union or UK. The GDPR could also apply to our establishments of business outside the European Union if we were to monitor the activities of individuals in the European Union or become established in the European Union / UK. The ~~GDPR and UK~~ GDPR increases the maximum level of fines for the most serious compliance failures to the greater of four percent of annual worldwide turnover or € 20, 000, 000 / GBP17, 500, 000, respectively. We may also be subject to the local privacy and data protection laws of the E. U. Member States in which we offer products or services, which can carry penalties and potential criminal sanctions. The regulatory requirements and restrictions set out in the GDPR include, among others, the following: • The GDPR imposes a number of principles with respect to the processing of personal data, including requirements to process personal data lawfully, fairly, and in a transparent manner, to process personal data only to the extent necessary for the purposes required, maintain the accuracy of personal data, limit the retention of personal data for no longer than is necessary, and maintain appropriate technical and organizational security measures against unauthorized processing or accidental loss, destruction, or damage. We are implementing external and internal policies and procedures, technical measures and internal training designed to adhere to those principles; • In relation to the transparency principle, the GDPR requires us to provide individuals in the European Union whose personal data we process (" data subjects") with certain information regarding the processing of their personal data by us, and we have an E. U. privacy policy, which can be found at https: / / www. lemonade. com / de / en / privacy- policy (with respect to Germany), https: / / www. lemonade. com / nl / en / privacy- policy (with respect to the Netherlands) and http: / / www. lemonade. com / fr / en / privacy- policy (with respect to France); • The GDPR requires us to maintain internal records of our processing activities and to make those records available to regulators on demand; • The GDPR requires us to include certain mandatory terms in our agreements with third parties that process personal data subject to the GDPR on our behalf (" Processors") and we are in the process of entering into compliant data processing terms with each of our Processors. If third parties with whom we work were to violate their obligations under the GDPR, and / or under their agreements with us, such violation could potentially have an adverse impact on our business; • The GDPR grants data subjects certain rights, including the right to object to the processing of their personal data by us, to request copies of their personal data from us, to receive information regarding the processing of their personal data and to exercise certain other rights against us in respect of their personal data, and we are implementing internal policies and procedures designed to address those rights; • The GDPR prohibits automated decision making, i. e. a decision evaluating a data subject' s personal aspects based solely on automated processing that produces legal effects or other significant effects for that data subject, except where such decision making is necessary for entering into or performing a contract or is based on the data subject' s explicit consent. There is not yet any clear precedent as to whether use of artificial intelligence to make insurance offers to individuals will be considered necessary even though it is integral to our business model. If our automated decision making processes cannot meet this necessity threshold, we cannot use these processes with E. U. data subjects unless we obtain their explicit consent. Relying on consent to conduct this type of processing holds its own risks because consent must be considered freely given (commentators argue that seeking consent by tying it to a service may be problematic) and consent can be withdrawn by a data subject at any time. We are continually monitoring for updates to guidance in this area, however, if subsequent guidance and / or decisions limit our ability to use our artificial intelligence models, that may decrease our operational efficiency and result in an increase to the costs of operating our business. Automated decision making also attracts a higher regulatory burden under the GDPR, which requires the existence of such automated decision making be disclosed to the data subject including a meaningful explanation of the logic used in such decision making, and safeguards must be implemented to safeguard individual rights, including the right to obtain human intervention and to contest any decision **. Further obligations in terms of transparency are likely to be imposed under new laws regulating AI, including the EU AI Act which is expected to enter into force in 2024, and the majority of the substantive requirements applying two years later. The EU AI Act includes requirements around transparency, conformity assessments and monitoring, risk assessments, human oversight, security and accuracy, and proposes fines for breach of up to 7 % of worldwide annual turnover. Once fully applicable, the EU AI Act will have a material impact on the way artificial intelligence is regulated in the EU, and together with developing guidance and / or decisions in this area, is likely to affect our use of artificial intelligence and our ability to provide and to improve our services, require additional compliance measures and changes to our operations and processes, result in increased compliance costs and potential increases in civil claims against us, and could adversely affect our business, operations and financial condition.** ; and • The GDPR also places limits on the profiling of individuals, i. e. processing of personal data to evaluate certain personal aspects, like analyzing or predicting aspects of a person' s economic situation, health, personal preferences, location, etc. There is a lack of clarity on when we can rely on consent from the data subject to conduct profiling, or when we can rely on our legitimate business interests to do so. In the latter case, it is unclear what kind of opt- out mechanism would be required to achieve GDPR compliance. We are continually monitoring for updates to guidance in this area, however, if subsequent guidance and / or decisions limit our ability to engage in profiling, that may decrease our operational efficiency and result in an increase to the costs of operating our business. We are also subject to European Union rules with respect to cross- border transfers of personal data out of the European Economic Area (“ EEA ”) and the United Kingdom ~~, which have recently been subject to judicial scrutiny~~ . **Case law** ~~Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data~~ from ~~the EEA to the United States. Most recently, on July 16, 2020,~~ the Court of Justice of the European Union (“ CJEU ”) **states that reliance on** ~~invalidated the EU- US Privacy Shield Framework (“ Privacy Shield ”) under which personal data could be transferred from the EEA to US entities who had self- certified under the Privacy Shield scheme. While the CJE. U. upheld the adequacy of~~ the standard contractual clauses ~~(~~ **-** a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism **-** ~~, and potential alternative to the Privacy Shield), it made clear that reliance on them~~ alone may not necessarily be sufficient in all circumstances **and that transfers** ~~. Use of the standard contractual clauses~~ must ~~now~~ be assessed on a case- by- case basis ~~taking~~ **. On October 7, 2022, President Biden signed an Executive Order on ‘ Enhancing Safeguards for United States Intelligence Activities’ which introduced new redress mechanisms and binding safeguards to address the concerns raised by the CJEU in relation to data transfers from the EEA to the United States and which formed the basis of the new EU- US Data Privacy Framework (“ DPF ”), as released on December 13, 2022. The European Commission adopted its Adequacy Decision in relation to the DPF on July 10, 2023, rendering the DPF effective as an EU GDPR transfer mechanism to U. S. entities self- certified under the DPF. On October 12, 2023, the UK Extension to the DPF came** into **effect (as approved by** ~~account the legal regime applicable in the destination country, in particular applicable surveillance laws and rights of individuals and additional measures and / or contractual provisions may need to be put in place, however, the nature of these~~ -- **the** ~~additional measures is~~ **UK Government), as a UK GDPR data transfer mechanism to U. S. entities self- certified under the UK Extension to the DPF. We** currently **rely** ~~uncertain. The CJE. U. went~~ on ~~to state that if a competent supervisory authority believes that~~ the **DPF to transfer certain personal data from the EEA to the United States and on the UK Extension to the DPF to transfer certain personal data from the UK to the United States. We also currently rely on the EU** standard contractual clauses ~~cannot be complied~~ **and the UK**

**Addendum to the EU standard contractual clauses and the UK International Data Transfer Agreement as relevant to transfer personal data outside the EEA and the UK** with **respect to both intragroup** ~~in the destination country and the required level of protection cannot be secured by other means, such supervisory authority is under an~~ **and third party** ~~obligation to suspend or prohibit that transfer~~ **transfers** . **We expect** ~~These recent developments will require us to review and amend~~ the **existing** legal **complexity** ~~mechanisms by which we make~~ and ~~/ or receive~~ **uncertainty regarding international** personal data transfers to ~~/ in~~ **continue. In particular, we expect the DPF Adequacy Decision to be challenged and international transfers to the United States and to** ~~the~~ **other** ~~U. S~~ **jurisdictions more generally to continue to be subject to enhanced scrutiny by regulators** . As **the regulatory** ~~supervisory authorities issue further~~ guidance ~~on personal~~ **and enforcement landscape in relation to** data **transfers continue to develop** ~~export mechanisms, including circumstances where the standard contractual clauses cannot be used, and / or start taking enforcement action~~ , we could suffer additional costs, complaints and / or regulatory investigations or fines **; we may have to stop using certain tools and vendors and make other operational changes; we may have to implement revised standard contractual clauses for existing intragroup** , **customer and vendor arrangements within required time frames;** and / or ~~if we are otherwise unable to transfer personal data between and among countries and regions in which we operate,~~ it could **otherwise** affect the manner in which we provide our services ~~,~~ ~~the geographical location or segregation of our relevant systems and operations~~ , and could adversely affect our **business, operations and** financial ~~results~~ **condition** . In respect of the GDPR' s obligations, we rely on positions and interpretations of the law that have yet to be fully tested before the relevant courts and regulators. If a regulator or court of competent jurisdiction determined that one or more of our compliance efforts does not satisfy the applicable requirements of the GDPR, or if any party brought a claim in this regard, there could be potential governmental or regulatory investigations, enforcement actions, regulatory fines, compliance orders, litigation or public statements against us by consumer advocacy groups or others, and that could cause customers to lose trust in us and damage our reputation. Likewise, a change in guidance could be costly and have an adverse effect on our business. ~~In addition~~ **We are also subject to evolving EU and UK privacy laws on cookies** , **tracking technologies and** ~~Directive 2002 / 58 / EC (as amended by Directive 2009 / 136 / EC) (together, the"~~ e- ~~Privacy Directive") governs, among other things, the use of cookies and the sending of electronic direct~~ marketing ~~within the European Union and, as such, will apply to our marketing activities within the European Union~~ . ~~The~~ **In the EU and the UK under national laws derived from the** ePrivacy Directive ~~will be replaced by an E. U. regulation known as the ePrivacy Regulation~~ , **informed** ~~which is still under development and is expected to replace current national laws that implement the ePrivacy Directive. As agreement of the final text of ePrivacy Regulation has been significantly delayed, various E. U. Data Protection Authorities have published guidance clarifying that opt- in~~ consent is ~~now~~ required ~~in respect~~ **for the placement** of **a cookie or similar technologies on an individual' s device and for direct electronic marketing. The GDPR also imposes conditions on obtaining valid consent for** cookies ~~used~~ **, such as a prohibition on pre- checked consents and a requirement to ensure separate consents are sought** for **each type** ~~marketing and in most cases analytics (the position on the use~~ of ~~first- party~~ **cookie or similar technology. Recent European court and regulator decisions are driving increased attention to** cookies ~~for analytics is not clear)~~ and **tracking technologies** ~~Data Protection Authorities are beginning to enforce these rules~~ . Recent European court and regulator decisions are also driving increased attention to cookies and tracking technologies. ~~The decline~~ **If the trend** of ~~cookies~~ **increasing enforcement by regulators of the strict approach to opt- in consent** ~~or~~ **for** ~~other tracking technologies~~ **all but essential use cases,** as ~~a means to identify~~ **seen in recent guidance** and ~~target potential purchases~~ **decisions continues this** may increase the cost of operating our business and lead to a decline in revenues and impair our ability to collect user information. In addition, legal uncertainties about the legality of cookies and other tracking technologies may lead to regulatory scrutiny and increase potential civil liability under data protection or consumer protection laws. Any such changes may force us to incur substantial costs or require us to change our business practices which could compromise our ability to pursue our growth strategy effectively and may adversely affect our ability to acquire customers or otherwise harm our business, financial condition and operating results **. In light of the complex and evolving nature of EU, EU Member State and UK privacy laws on cookies and tracking technologies, there can be no assurances that we will be successful in our efforts to comply with such laws; violations of such laws could result in regulatory investigations, fines, orders to cease / change our use of such technologies, as well as civil claims including class actions, and reputational damage** . Any significant change to applicable laws, regulations, interpretations of laws or regulations, or market practices, regarding the use of personal data, or regarding the manner in which we seek to comply with applicable laws and regulations, could require us to make modifications to our products, services, policies, procedures, notices, and business practices, including potentially material changes. Such changes could potentially have an adverse impact on our business. We may be unable to prevent or address the misappropriation of our data. From time to time, third parties may misappropriate our data through website scraping, bots or other means and aggregate this data on their websites with data from other companies. In addition, copycat websites or online apps may misappropriate data and attempt to imitate our brand or the functionality of our website or our online app. If we become aware of such websites or online apps, we intend to employ technological or legal measures in an attempt to halt their operations. However, we may be unable to detect all such websites or online apps in a timely manner and, even if we could, technological and legal measures may be insufficient to halt their operations. In some cases, particularly in the case of websites or online apps operating outside of the United States, our available remedies may not be adequate to protect us against the effect of the operation of such websites or online apps. Regardless of whether we can successfully enforce our rights against the operators of these websites or online apps, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brand and business could be harmed. We rely on the experience and expertise of our Co- Founders, senior management team, highly- specialized insurance experts, key technical employees and other highly skilled personnel. Our success depends upon the continued service of Daniel Schreiber, our co- founder, ~~Co-~~ Chief

Executive Officer and a member of our board of directors, and Shai Wininger, our co- founder, **President** ~~Co- Chief Executive Officer~~ and a member of our board of directors (collectively with Mr. Schreiber, our" Co- Founders"), and senior management team, highly- specialized insurance experts and key technical employees, as well as our ability to continue to attract and retain additional highly qualified personnel. Our future success depends on our continuing ability to identify, hire, develop, motivate, retain and integrate highly skilled personnel for all areas of our organization. If we are unable to attract the requisite personnel, our business and prospects may be adversely affected. Each of our Co- Founders, executive officers, specialized insurance experts, key technical personnel and other employees could terminate his or her relationship with us at any time. The loss of either of our Co- Founders or any other member of our senior management team, specialized insurance experts or key personnel might significantly delay or prevent the achievement of our strategic business objectives and could harm our business. We rely on a small number of highly- specialized insurance experts, the loss of any one of whom could have a disproportionate impact on our business. Competition in our industry for qualified employees is intense. Our compensation arrangements, such as our equity award programs, may not always be successful in attracting new employees and retaining and motivating our existing employees. Moreover, if and when the stock options or other equity awards are substantially vested, employees under such equity arrangements may be more likely to leave, particularly when the underlying shares have seen a value appreciation. We face significant competition for personnel, particularly in New York, where our headquarters is located and in Tel Aviv, where many of our technical employees are located. To attract top talent, we ~~have to~~ offer, and ~~believe we~~ will need to continue to offer, competitive compensation and benefits packages. We may also need to increase our employee compensation levels in response to competitor actions. If we are unable to hire new employees quickly enough to meet our needs, or otherwise fail to effectively manage our hiring needs or successfully integrate new hires ~~, including our recently hired management team members and new team members as a result of the merger with Metromile~~ , our efficiency, ability to meet forecasts and our employee morale, productivity and retention could suffer, which in turn could have an adverse effect on our business, results of operations and financial condition. If our customers were to claim that the policies they purchased failed to provide adequate or appropriate coverage, we could face claims that could harm our business, results of operations and financial condition. Although we aim to provide adequate and appropriate coverage under each of our policies, customers could purchase policies that prove to be inadequate or inappropriate. If such customers were to bring a claim or claims alleging that we failed in our responsibilities to provide them with the type or amount of coverage that they sought to purchase, Lemonade Insurance Agency, LLC or Metromile Insurance Services LLC could be found liable, resulting in an adverse effect on our business, results of operations and financial condition. While we maintain agents errors and omissions insurance coverage to protect us against such liability, such coverage may be insufficient or inadequate. 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 **surrounding** region. We maintain offices in Israel and some of our officers, employees and directors are located in Israel, including our Co- Founders and some of our product development staff, help desk and online sales support operations. As of December 31, ~~2022~~ **2023** , we had ~~315~~ **approximately 294** full- time employees in Israel. Although we do not currently sell our insurance products in Israel, political, economic and military conditions in Israel and the surrounding region may directly affect our Israeli operations. In recent years **, including most recently in October 2023** , Israel has been involved in sporadic armed conflicts with Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of Southern Lebanon, and with Iranian- backed military forces in Syria. Some of these hostilities **, including the most recent attacks by Hamas in October 2023,** were accompanied by missile strikes from the Gaza Strip against civilian targets in various parts of Israel, including areas in which our officers, employees and directors are located, and negatively affected conditions in Israel. The tension between Israel and Iran and / or these groups ~~may~~ **continues to** escalate ~~in the future~~ and **may** turn even more violent **in the future** , which could materially adversely affect conditions in Israel in general and our operations in particular. Furthermore, many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and, in the event of a military conflict, may be called to active duty. In response to ~~increases in~~ **the recent** terrorist activity, there have been ~~periods of significant~~ call- ups of military reservists and it is possible that there will be **increases in** military reserve duty call- ups in the future. ~~Many~~ **Some** of our officers and employees based in Israel ~~may be~~ **have been** called upon to perform military reserve duty and **/ or active duty** , **and others** ~~in emergency circumstances,~~ may be called **in the future** ~~to immediate and unlimited active duty~~ . **Our** ~~If this were to occur, our~~ operations ~~could~~ **have been and may continue to** be **partially** disrupted by ~~the~~ **these** ~~absence of a significant number of employees~~ **employee absences** , which could materially adversely affect our business and results of operations. **We have contingency plans and structures in place to mitigate these risks, and we continue to monitor our ongoing activities and will make any needed adjustments to ensure the continuity of our business, while supporting the safety and well- being of our employees.** Parties with whom we do business may sometimes decline to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary to meet our business partners **in person** ~~face to face~~ . Further, shifting economic and political conditions in the United States and in other countries may result in changes in how the United States and other countries conduct business and other relations with Israel, which may have an adverse impact on our Israeli operations and a material adverse impact on our business. In addition, several countries, principally in the Middle East, restrict doing business with Israel, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. Moreover, there have been increased efforts by organizations and movements to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Any hostilities, armed conflicts or political instability involving Israel could adversely affect our results of operations. **With regards to the recent hostilities, there is still uncertainty regarding the extent to which it will impact our operations in Israel, which we continue to evaluate.** Our commercial insurance may not cover losses that could occur as a result of events associated with the security situation in the Middle East.

Any losses or damages incurred by us could have a material adverse effect on our business. Continued hostilities between Israel and its neighbors and any future armed conflict, terrorist activity or political instability in the region could adversely affect our operations in Israel and adversely affect the market price of our common stock. An escalation of tensions or violence might result in a significant downturn in the economic or financial condition of Israel, which could have a material adverse effect on our operations in Israel and our business. ~~The~~ **In addition, the** Israeli government ~~is currently pursuing~~ **has recently and may in the future pursue** extensive changes to Israel' s judicial system. ~~This has sparked extensive political debate.~~ In response to **such changes** ~~the foregoing developments~~, many individuals, organizations and institutions, both within and outside of Israel, have **in the past and may in the future** ~~voiced~~ **voice** concerns that the proposed changes may negatively impact the business environment in Israel, due to potential reluctance of foreign investors to invest or transact business in Israel, increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in securities markets, and other changes in macroeconomic conditions. To the extent that any of these negative developments occur, they may have an adverse effect on our business, our results of operations, or our ability to raise additional funds, if deemed necessary by our management and board of directors. We may become subject to claims under Israeli law for remuneration or royalties for assigned service invention rights by our Israel- based contractors or employees, which could result in litigation and adversely affect our business. We enter into assignment of invention agreements with employees and contractors, pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us. Under the Israeli Patent Law, 5727- 1967 (the" Israel Patent Law"), inventions conceived by an employee or a person deemed to be an employee during and in consequence of their employment are regarded as" service inventions," which belong to the employer, absent a specific agreement between employee and employer giving the employee service invention rights. In the case of a service invention, employees and former employees may petition the Israeli Compensation and Royalties Committee established under the Israel Patent Law to determine whether they are entitled to remuneration for their service inventions. The Israeli Compensation and Royalties Committee and the Supreme Court have held that employees may be entitled to remuneration for their service inventions despite having waived such rights, resulting in uncertainty under Israeli law with respect to the efficacy of waivers of service invention rights. Although our contractors and employees have agreed to assign to us service invention rights, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current or former contractors or employees, or be forced to litigate such claims, which could negatively affect our business. Our company culture has contributed to our success and if we cannot maintain this culture as we grow, our business could be harmed. We believe that our company culture has been critical to our success. Our status as a Certified B Corp and commitment to charitable giving distinguish us from our competitors and promote a relationship among our employees and customers founded on trust. We not only seek to engender a trusting relationship between our brand and our customers, but also among our employees. Our ability to continue to cultivate and maintain this culture is essential to our growth and continued success. We face a number of challenges that may affect our ability to sustain our corporate culture, including: • failure to identify, attract, reward and retain people in leadership positions in our organization who share and further our culture, values and mission; • the increasing size and geographic diversity of our workforce, and our ability to promote a uniform and consistent culture across all our offices and employees; • the market perception about our charitable contributions and social and political stances; • competitive pressures to move in directions that may divert us from our mission, vision and values; • the continued challenges of a rapidly- evolving industry; and • the increasing need to develop expertise in new areas of business that affect us. Our unique culture is one of our core characteristics that helps us to attract and retain key personnel. If we are not able to maintain our culture, we would have to incur additional costs and find alternative methods to recruit key employees, which in turn could cause our business, results of operations and financial condition to be adversely affected. 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. In general, the premiums for our insurance policies are established at the time a policy is issued and, therefore, before all of our underlying costs are known. The accuracy of our pricing is subject to our ability to adequately assess risks, estimate losses and comply with state insurance regulations. Like other insurance companies, we rely on estimates and assumptions in setting our premium rates. We also utilize the data that we gather through our interactions with our customers, as evaluated and curated by our proprietary artificial intelligence algorithms. Establishing adequate premium rates is necessary, together with investment income, if any, to generate sufficient revenue to offset losses, loss adjustment expenses (" LAE") and other costs. If we do not accurately assess the risks that we underwrite, we may not charge adequate premiums to cover our losses and expenses, which would adversely affect our results of operations and our profitability. Moreover, if we determine that our prices are too low, insurance regulations may preclude us from being able to cancel insurance contracts, non- renew customers, or raise prices. Alternatively, we could set our premiums too high, which could reduce our competitiveness and lead to lower revenues, which could have a material adverse effect on our business, results of operations and financial condition. Pricing involves the acquisition and analysis of historical loss data and the projection of future trends, loss costs and expenses, and inflation trends, among other factors, for each of our products in multiple risk tiers and many different markets. In order to accurately price our policies, we must: • collect and properly analyze a substantial volume of data from our customers; • develop, test and apply appropriate actuarial projections and rating formulas; • review and evaluate competitive product offerings and pricing dynamics; • closely monitor and timely recognize changes in trends; and • project both frequency and severity of our customers' losses with reasonable accuracy. There are no assurances that we will have success in implementing our pricing methodology accurately in accordance with our assumptions. Our ability to accurately price our policies is subject to a number of risks and uncertainties, including: • insufficient or unreliable data; • incorrect or incomplete analysis of available data; • uncertainties generally inherent in estimates and assumptions; • our failure to implement appropriate actuarial projections and rating formulas or other pricing methodologies; • incorrect or incomplete analysis of the competitive environment; • regulatory constraints on rate increases; and • our failure to accurately estimate investment yields and the duration of our liability for loss and loss adjustment expense, as well as unanticipated court decisions, legislation or regulatory action. To address the potential inadequacy of our current business model, we may be compelled to increase the amount allocated to cover policy claims, increase premium rates or adopt tighter underwriting standards, any of which may result in a decline in new business and renewals and, as a result, could have a material adverse effect on our business, results of operations and financial condition. Our exposure to loss activity and regulation may be greater in states where we currently have most of our customers: California, New York and Texas. Approximately ~~54~~ **53** % of our gross written premium for the year ended December 31, ~~2022~~ **2023** originated from customers in California, New York, and Texas. As a result of this concentration, if a significant catastrophe event or series of catastrophe events occur, such as COVID- 19 or a natural disaster, and cause material losses in California, New York and Texas, our business, financial condition and results of operation could be materially adversely affected. Further, as compared to our competitors who operate on a wider geographic scale, any adverse changes in the regulatory environment affecting property and casualty insurance in California, New York and Texas may expose us to more significant risks. 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. Because our products are highly- advanced and require rigorous testing and regulatory approvals, development cycles can be complex. Moreover, development projects can be technically challenging and expensive, and may be delayed or defeated by the inability to obtain licensing or other regulatory approvals. The nature of these development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we generate revenues, if any, from such expenses. If we expend a significant amount of resources on research and development and our efforts do not lead to the successful introduction or improvement of products that are competitive in the marketplace, this could materially and adversely affect our business and results of operations. Additionally, anticipated customer demand for a product we are developing could decrease after the development cycle has commenced. Such decreased customer demand may cause us to fall short of our sales targets, and we may nonetheless be unable to avoid substantial costs associated with the product' s development. If we are unable to complete product development cycles successfully and in a timely fashion and generate revenues from such future products, the growth of our business may be harmed. Litigation and legal proceedings filed by or against us and our subsidiaries could have a material adverse effect on our business, results of operations and financial condition. Litigation and other proceedings may include, but are not limited to, complaints from or litigation by customers or reinsurers, related to alleged breaches of contract or otherwise. As our market share increases, competitors may pursue litigation to require us to change our business practices or offerings and limit our ability to compete effectively. As is typical in the insurance industry, we continually face risks associated with litigation of various types arising in the normal course of our business operations, including disputes relating to insurance claims under our policies as well as other general commercial and corporate litigation. Although we are not currently involved in any material litigation with our customers, us and other members of the insurance industry are the target of class action lawsuits and other types of litigation, some of which involve claims for substantial or indeterminate amounts, and the outcomes of which are unpredictable. This litigation is based on a variety of issues, including sale of insurance and claim settlement practices. In addition, because we employ artificial intelligence to collect data points, customers or consumer groups have brought and could bring individual or class action claims alleging that our methods of collecting or using data and pricing risk are impermissibly discriminatory or otherwise improper. We cannot predict with any certainty whether we will be involved in such material litigation in the future or what impact such material litigation would have on our business. If we were to be involved in litigation and it was determined adversely, it could require us to pay significant damage amounts or to change aspects of our operations, either of which could have a material adverse effect on our financial results. Even claims without merit can be time- consuming and costly to defend and may divert management' s attention and resources away from our business and adversely affect our business, results of operations and financial condition. Additionally, routine lawsuits over claims that are not individually material could in the future become material if aggregated with a substantial number of similar lawsuits. In addition to increasing costs, a significant volume of customer complaints or litigation could adversely affect our brand and reputation, regardless of whether such allegations are valid or whether we are liable. We cannot predict with certainty the costs of defense, the costs of prosecution, insurance coverage or the ultimate outcome of litigation or other proceedings filed by or against us, including remedies or damage awards, and adverse results in such litigation, and other proceedings may harm our business and financial condition. See" Legal Proceedings." Failure to protect or enforce our intellectual property rights could harm our business, results of operations and financial condition. Our success is dependent in part on protecting our intellectual property rights and technology (such as source code, information, data, processes and other forms of information, knowhow and technology). We rely on a combination of copyrights, trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our intellectual property. However, there are steps that we have not yet taken to protect our intellectual property on a global basis. Additionally, the steps that we have already taken to protect our intellectual property may not be sufficient or effective. Even if we do detect violations, we may need to engage in litigation to enforce our rights. While we take precautions designed to protect our intellectual property, it may still be possible for competitors and other unauthorized third parties to copy our technology and use our proprietary brand, content and information to create or enhance competing solutions and services, which could adversely affect our competitive position in our rapidly evolving and highly competitive industry. Some license provisions that protect against unauthorized use, copying, transfer and disclosure of our technology may be unenforceable under the laws of certain jurisdictions and foreign countries. We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with our third- party providers and strategic partners. We cannot assure you that these agreements will be effective in controlling access to, and use and distribution of, our platform and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our offerings. Such arrangements may limit our ability to protect, maintain, enforce or commercialize such intellectual property rights, including requiring agreement with or payment to our joint development partners before protecting, maintaining, licensing or initiating enforcement of such intellectual property rights, and may allow such joint development partners to register, maintain, enforce or license such intellectual property rights in a manner that may affect the value of the jointly- owned intellectual property or our ability to compete in the market. We have filed, and may continue in the future to file, applications to protect certain of our innovations and intellectual property. We do not know whether any of our applications will result in the issuance of a patent, trademark or copyright, as applicable, or whether the examination process will require us to narrow our claims. In addition, we may not receive competitive advantages from the rights granted under our intellectual property. Our existing intellectual property, and any intellectual property granted to us or that we otherwise acquire in the future, may be contested, circumvented or invalidated, and we may not be able to prevent third parties from infringing our rights to our intellectual property. Therefore, the exact effect of the protection of this intellectual property cannot be predicted with certainty. In addition, given the costs, effort, risks and downside of obtaining patent protection, including the requirement to ultimately disclose the invention to the public, we may choose not to seek patent protection for certain innovations. Any failure to adequately obtain such patent protection, or other intellectual property protection, could later prove to adversely impact our business. We currently hold various domain names relating to our brand, including Lemonade and Lemonade. com. Failure to protect our domain names could adversely affect our reputation and brand and make it more difficult for users to find our website and our online app. We may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights. We may be required to spend significant resources in order to monitor and protect our intellectual property rights, and some violations may be difficult or impossible to detect. Litigation to protect and enforce our intellectual property rights could be costly, time- consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management' s attention and resources, could impair the functionality of our platform, delay introductions of enhancements to our platform, result in our substituting inferior or more costly technologies into our platform or harm our reputation or brand. In addition, we may be required to license additional technology from third parties to develop and market new offerings or platform features, which may not be on commercially reasonable terms or at all and could adversely affect our ability to compete. If we are unable to prevent the unauthorized use or exploitation of our intellectual property, the value of our brand, content, and other intangible assets may be diminished, competitors may be able to more effectively mimic our service and methods of operations, the perception of our business and service to customers and potential customers may become confused, and our ability to attract customers may be adversely affected. Any inability or failure to protect our intellectual property could adversely impact our business, results of operations and financial condition. Claims by others that we infringed their proprietary technology or other intellectual property rights could harm our business. Companies in the internet and technology industries are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. In addition, certain companies and rights holders seek to enforce and monetize patents or other intellectual property rights they own, have purchased or otherwise obtained. As we gain an increasingly high public profile, the possibility of intellectual property rights claims against us grows. From time to time, third parties may assert claims of infringement of intellectual property rights against us. Although we believe that we have meritorious defenses, there can be no assurance that we will be successful in defending against these allegations or reaching a business resolution that is satisfactory to us. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than us. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product or service revenue and against whom our own patents may therefore provide little or no deterrence or protection. Many potential litigants, including some of our competitors and patent- holding companies, have the ability to dedicate substantial resources to assert their intellectual property rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, we risk compromising our confidential information during this type of litigation. We may be required to pay substantial damages, royalties or other fees in connection with a claimant securing a judgment against us, we may be subject to an injunction or other restrictions that prevent us from using or distributing our intellectual property, or from operating under our brand, or we may agree to a settlement that prevents us from distributing our offerings or a portion thereof, which could adversely affect our business, results of operations and financial condition. With respect to any intellectual property rights claim, we may have to seek out a license to continue operations found to violate such rights, which may not be available on favorable or commercially reasonable terms and may significantly increase our operating expenses. Some licenses may be non- exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its intellectual property on reasonable terms, or at all, we may be required to develop alternative, non- infringing technology, which could require significant time (during which we would be unable to continue to offer our affected offerings), effort and expense and may ultimately not be successful. Any of these events could adversely affect our business, results of operations and financial condition. We may not be able to utilize a portion of our net operating loss carryforwards (" NOLs") to offset future taxable income for U. S. federal income tax purposes, which could adversely affect our net income and cash flows. As of December 31, ~~2022~~ **2023** , we had gross accumulated federal NOLs for tax purposes of $ ~~236~~ **269** . ~~3~~ **9** million, which can be offset against our future taxable income. Of these federal NOLs, $ ~~15~~ **21** . ~~7~~ **4** million in losses will begin to expire in 2035 and $ ~~220~~ **248** . ~~6~~ **5** million in losses can be carried forward indefinitely. As of December 31, ~~2022~~ **2023** , the Company has gross accumulated state and local losses for tax purposes of $ ~~25~~ **29** . ~~8~~ **6** million which will begin to expire in 2029. We may be unable to fully use our NOLs, if at all. Under Section 382 of the Code, if a corporation undergoes an" ownership change" (very generally defined as a greater than 50 % change, by value, in the corporation' s equity ownership by certain shareholders or groups of shareholders over a rolling three- year period), the corporation' s ability to use its pre- ownership change NOLs to offset its post- ownership change income may be limited. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If we undergo an ownership change, we may be prevented from fully utilizing our NOLs existing at the time of the ownership change prior to their expiration. Future regulatory changes could also limit our ability to utilize our NOLs. To the extent we are not able to offset future taxable income with our NOLs, our net income and cash flows may be adversely affected. The enactment of legislation implementing changes in tax legislation or policies in different geographic jurisdictions may impact our business, financial condition and results of operations. We conduct business globally and file income tax returns in multiple jurisdictions. Our consolidated effective income tax rate could be materially adversely affected by several factors, including: changing tax laws, regulations and treaties, or the interpretation thereof (such as the recent Inflation Reduction Act which, among other changes, introduced a 15 % corporate minimum tax on certain United States corporations and a 1 % excise tax on certain stock redemptions by United States corporations); tax policy initiatives and reforms **in effect or** under consideration (such as those related to the OECD / G20 Inclusive Framework on Base Erosion and Profit Sharing or other projects); the practices of tax authorities in jurisdictions in which we operate; and the resolution of issues arising from tax audits or examinations and any related interest or penalties. We are unable to predict what tax reforms may be proposed or enacted in the future or what effect such changes would have on our business, but such changes, to the extent they are brought into tax legislation, regulations, policies or practices in jurisdictions in which we operate, could increase the estimated tax liability that we have expensed to date and paid or accrued on our consolidated statements of operations and comprehensive loss, and otherwise affect our future results of operations, cash flows in a particular period and overall or effective tax rates in the future in countries where we have operations, reduce post- tax returns to our shareholders and increase the complexity, burden and cost of tax compliance. 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. Our success depends in significant part on our ability to expand into additional markets in the United States and abroad. As of December 31, ~~2022~~ **2023** , we were licensed to sell renters, homeowners, pet and / or car insurance policies in 50 states of the United States and Washington D. C. We operate in 38 of those states and Washington D. C. covering approximately 92 % of the U. S. population. We have targeted coverage across all 50 states, but we cannot guarantee that we will be able to provide nationwide coverage in the near term or at all. Moreover, one or more states could revoke our license to operate, or implement additional regulatory hurdles that could inhibit our ability to obtain or maintain our license in such states. In addition to growing our domestic business, we have started expanding our presence internationally, particularly in Europe. We currently hold a pan- European license, which enables us to sell in 30 countries across Europe, and commenced operating in Germany in 2019, and in the Netherlands and France in 2020. In October, 2022, the Company began selling contents insurance in the ~~United Kingdoms (“~~ UK ~~”)~~ on a cross border basis under the UK’ s Temporary Permission Regime. The Company also registered two UK branches: (i) Lemonade Insurance N. V., UK Branch and its affiliate (ii) Lemonade Agency B. V. **. In May and June 2023** , **respectively, we received a third country branch authorization in the** UK **for both** ~~Branch as part~~ of **these registered** ~~its process to become a fully licensed insurance branch~~ **branches allowing us to operate on a permanent basis** in the UK **market** . Operating outside of the United States may require significant management attention to oversee operations over a broad geographic area with varying cultural norms and customs, in addition to placing strain on our finance, analytics, compliance, legal, engineering, and operations teams. Moreover, international operations are subject to risks and uncertainties inherent in operating in these regions, including political unrest, such as the current situation with Ukraine and Russia. We may incur significant operating expenses and may not be successful in our international expansion for a variety of reasons, including: • obtaining any required government approvals, licenses or other authorizations; • complying with varying laws and regulatory standards, including with respect to the insurance business and insurance distribution, capital and outsourcing requirements, data privacy, tax and local regulatory restrictions; • recruiting and retaining talented and capable employees in foreign countries; • competition from local incumbents that better understand the local market, may market and operate more effectively and may enjoy greater local affinity or awareness; • differing demand dynamics, which may make our product offerings less successful; • currency exchange restrictions or costs and exchange rate fluctuations; • operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States; and • limitations on the repatriation and investment of funds as well as foreign currency exchange restrictions. Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake may not be successful. If we invest substantial time and resources to expand our operations internationally and are unable to manage these risks effectively, our business, results of operations and financial condition could be adversely affected. In addition, international expansion may increase our risks in complying with various laws and standards, including with respect to anti- corruption, anti- bribery, anti- money laundering, export controls, and trade and economic sanctions. Expansion into new markets here and abroad will require additional investments by us in both regulatory approvals and marketing. These incremental costs may include hiring additional personnel, as well as engaging third- party service providers and other research and development costs. If we fail to grow our geographic footprint or geographic growth occurs at a slower rate than expected, our business, results of operations and financial condition could be materially and adversely affected. Fluctuations in foreign currency exchange rates may adversely affect our financial results. Since we conduct limited operations in Israel and Europe, portions of our revenues, expenses, assets and liabilities are denominated in New Israeli Shekels, Euros and GBP pounds. Because our consolidated financial statements are presented in U. S. dollars, we must translate non- U. S. dollar denominated revenues, income and expenses, as well as assets and liabilities, into U. S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U. S. dollar against the other currencies may affect our revenues, income and the value of balance sheet items denominated in foreign currencies. External events such as Brexit, global pandemics, the ongoing uncertainty regarding actual and potential shifts in U. S. and foreign, trade, economic and other policies, the passage of U. S. taxation reform legislation, and concerns over interest rates (particularly short- term rates) each have caused, and may continue to cause, significant volatility in currency exchange rates, especially among the U. S. dollar, the pound sterling and the euro. If global economic and market conditions, or economic conditions in the United Kingdom, European Union, the United States or other key markets remain uncertain or deteriorate further, the value of the pound sterling and euro and the global credit markets may further weaken. ~~While~~ **The impact of the Customer Investment Agreement with General Catalyst is unpredictable,and the arrangement may not function as expected,and its failure to do so could materially and adversely impact our financial condition and results of operations.On January 8,2024,** we **entered into** ~~have begun combining and~~ - **an** ~~integrating~~ **Amended and Restated Customer Investment Agreement (** the ~~businesses~~ **" Customer Investment Agreement "),with GC Customer Value Arranger,LLC (a General Catalyst company) (" GC").Under the Customer Investment Agreement,up to $ 150 million of financing will be provided from June 28,2023 through December 31,2024,and up to $ 140 million will be provided from December 31,2024 to December 31,2025,in each case for the Company' s sales and marketing growth efforts.Under the Customer Investment Agreement,subject to certain terms and conditions specified therein,at the start of each growth period,an Investment Amount of up to 80 % of the Company' s growth spend (the" Investment Amount") will be advanced by GC.During each growth period** ,we ~~have~~ **will repay each Investment Amount including a 16 % rate of return,based upon an agreed schedule.Once fully repaid,we will retain all future reference income related to each respective Investment Amount.The Customer Investment Agreement is intended to deliver cash flow benefits to support our sales and marketing growth efforts.There can be no guarantee that this financing structure will function as intended,and its failure to do so could materially and adversely impact our financial condition and results of operations.The Company may** not ~~finished the process.Finalizing the integration may be more costly or time- consuming than expected and we may not ultimately~~ realize the anticipated benefits of the mergers **with** ~~.We must successfully finalize the combination of Lemonade and~~ Metromile ~~businesses in a manner that permits these benefits to be realized.In addition~~ , **which may** ~~the combined company must achieve the anticipated growth without~~ adversely ~~affecting~~ --- **affect** ~~current revenues and investments in future growth.If~~ the ~~combined company~~ **Company** ~~is not able to successfully achieve~~ **' s business results and negatively affect** ~~these~~ -- **the value** ~~objectives,the anticipated benefits~~ of the **Company' s common stock and warrants** ~~mergers may not be realized fully,or at all,or may take longer to realize than expected~~ .An inability to realize the full extent of the anticipated benefits of the mergers and the other transactions contemplated by the merger agreement,as well as any future delays encountered in the integration process,could have an adverse effect upon the revenues,level of expenses and operating results of the ~~combined company~~ **Company** ,which may adversely affect the value of the **Company' s** common stock **and warrants** ~~of the combined company~~ .In addition, **continued** ~~the actual~~ integration may result in additional and unforeseen expenses,and the anticipated benefits of the integration plan may not be realized.Actual growth and any potential cost savings,if achieved,may be lower than what we expect and may take longer to achieve than anticipated.If we are not able to adequately address integration challenges, ~~they~~ **we** may **not** ~~be unable to successfully integrate our operations or~~ realize the anticipated benefits of the integration of the two companies ~~.The failure to successfully integrate the businesses and operations of Lemonade and Metromile in the expected time frame may adversely affect the combined company' s future results~~ .Lemonade and Metromile operated independently until the completion of the mergers ~~,and continue to operate independently in some respects as we continue to integrate the businesses~~ .There can be no assurances that our businesses can be fully integrated successfully.It is possible that the integration process could ultimately result in the loss of key Lemonade or Metromile employees,the loss of customers,the disruption of either company' s or both companies' ongoing businesses,inconsistencies in standards,controls,procedures and policies,unexpected integration issues,higher than expected integration costs and an overall post- completion integration process that takes longer than originally anticipated. **We have faced and expect to continue to face numerous challenges** ~~Specifically,the following issues,among others,must be addressed~~ as we continue to integrate the operations of Lemonade and Metromile in order to realize the anticipated benefits of the mergers **,including** ~~so the combined company performs as expected~~ : ~~• combining the companies' operations and corporate functions;~~ • combining the business of Lemonade and Metromile and meeting the capital requirements,in a manner that permits the combined company achieve any cost savings or other synergies ~~anticipated to result from the mergers~~ ,the failure of which would result in the anticipated benefits of the mergers not being realized in the time frame currently anticipated or at all;• integrating ~~personnel from the two companies,especially in the COVID- 19 environment which has required employees to work remotely in many locations;• integrating~~ the companies' technologies and technologies licensed from third parties;• integrating and unifying the offerings and services available to customers;• identifying and eliminating redundant and underperforming functions and assets;• ~~harmonizing the companies' operating practices,employee development and compensation programs,internal controls and other policies,procedures and processes;•~~ maintaining existing agreements with customers,suppliers,distributors and vendors,avoiding delays in entering into new agreements with prospective customers,suppliers,distributors and vendors,and leveraging relationships with such third parties for the benefit of the combined company;• ~~addressing possible differences in business backgrounds,corporate cultures and management philosophies;•~~ consolidating the companies ~~' administrative and~~ information technology infrastructure; ~~• coordinating distribution and marketing efforts;• managing the movement of certain positions to different locations;• coordinating geographically dispersed organizations;and • effecting actions that may be required in connection with obtaining regulatory or other governmental approvals and consents~~ In addition,at times the attention of certain members of Lemonade' s management and respective resources **have been and** may **in the future** be focused on the integration of the businesses ~~of the two companies~~ and diverted from day- to- day business operations or other opportunities that may have been beneficial to such company,which may disrupt **the** ~~each company' s ongoing~~ business ~~and the business~~ of the ~~combined company~~ **Company** . ~~The combined company may be exposed to increased litigation,which could have an adverse effect~~ Risks Relating to Our Industry The insurance business, including the market for renters, homeowners, pet, life and car 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. Historically, insurers have experienced significant fluctuations in operating results due to competition, frequency and severity of catastrophic events, levels of capacity, adverse litigation trends, regulatory constraints, general economic conditions, and other factors. The supply of insurance is related to prevailing prices, the level of insured losses and the level of capital available to the industry that, in turn, may fluctuate in response to changes in rates of return on investments being earned in the insurance industry. As a result, the insurance business historically has been a cyclical industry characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity increased premium levels. Demand for insurance depends on numerous factors, including the frequency and severity of catastrophic events, levels of capacity, the introduction of new capital providers and general economic conditions. All of these factors fluctuate and may contribute to price declines generally in the insurance industry. We cannot predict with certainty whether market conditions will improve, remain constant or deteriorate. Negative market conditions may impair our ability to underwrite insurance at rates we consider appropriate and commensurate relative to the risk assumed. Additionally, negative market conditions could result in a decline in policies sold, an increase in the frequency of claims and premium defaults, and an uptick in the frequency of falsification of claims. If we cannot underwrite insurance at appropriate rates, our ability to transact business will be materially and adversely affected. Any of these factors could lead to an adverse effect on our business, results of operations and financial condition. We are subject to extensive insurance industry regulations. As of December 31, ~~2022~~ **2023** , we were licensed to sell renters, homeowners, pet and / or car insurance policies in 50 states of the United States, and operate in 38 of those states, and Washington, D. C. We also hold a pan- European license, which enables us to sell in 30 countries across Europe, and commenced operating in Germany in 2019, and in the Netherlands and in France in 2020. We also began selling contents insurance in the **UK** ~~U. K.~~ on a cross border basis under the UK' s Temporary Permission Regime in October 2022. In **2023, we received a third country branch authorization in the UK for us to operate on a permanent basis in the UK market. In** the United States, each state regulator retains the authority to license insurers in their states, and an insurer generally may not operate in a state in which it is not licensed. Accordingly, we are not permitted to sell insurance to residents of the remaining states and territories of the United States, which is likely to put us at a disadvantage among many of our competitors that have been in business much longer than us and are licensed to sell their insurance products in most, if not all, U. S. jurisdictions **. We have a reinsurance captive subsidiary, Lemonade Re SPC, domiciled in the Cayman Islands which is subject to inspections by the Cayman Islands Monetary Authority** . We are subject to extensive regulation and supervision in the states in which we transact business by the individual state insurance departments. This regulation is generally designed to protect the interests of customers, and not necessarily the interests of insurers or agents, their shareholders or other investors. Numerous aspects of our insurance business are subject to regulation, including, but not limited to, premium rates, mandatory covered risks, limitations on the ability to renew or elect not to renew business, prohibited exclusions, licensing and appointment of agents, restrictions on the size of risks that may be insured under a single policy, reserves and provisions for unearned premiums, losses and other obligations, deposits of securities for the benefit of customers, investments and capital, policy forms and coverages, advertising and other conduct, including restrictions on the use of credit information and other factors in underwriting, as well as other underwriting and claims practices. To the extent we decide to expand our current product offerings to include other insurance products, this would subject us to additional regulatory requirements and scrutiny in each state in which we elect to offer such products. States have also adopted legislation defining and prohibiting unfair methods of competition and unfair or deceptive acts and practices in the business of insurance. Prohibited practices include, but are not limited to, misrepresentations, false advertising, coercion, disparaging other insurers, unfair claims settlement procedures, and discrimination in the business of insurance. Noncompliance with any of such state statute may subject us to regulatory action by the relevant state insurance regulator, and, in certain states, private litigation. States also regulate various aspects of the contractual relationships between insurers and independent agents. Such laws, rules and regulations are usually overseen and enforced by the various state insurance departments, as well as through private rights of action and by state attorneys general. Such regulations or enforcement actions are often responsive to current consumer and political sensitivities, such as homeowners insurance rates and coverage forms, or which may arise after a major event. Such rules and regulations may result in rate suppression, limit our ability to manage our exposure to unprofitable or volatile risks, or lead to fines, premium refunds or other adverse consequences. The federal government also may regulate aspects of our businesses, such as the protection of consumer confidential information or the use of consumer insurance (credit) scores to underwrite and assess the risk of customers under the Fair Credit Reporting Act (" FCRA"). Among other things, the FCRA requires insurance companies to have a permissible purpose before obtaining and using a consumer report for underwriting purposes, as well as comply with related notice and recordkeeping requirements. Failure to comply with federal requirements under the FCRA or any other applicable federal laws would subject us to regulatory fines and other sanctions. In addition, given our short operating history to- date and rapid speed of growth, we are particularly vulnerable to regulators identifying errors in the policy forms we use, the rates we charge, and our customer communications. As a result of such noncompliance, regulators could impose fines, rebates or other penalties, including cease- and- desist orders for an individual state, or all states, until the identified noncompliance is rectified ~~. The NYDFS, the insurance regulatory authority in the State of New York, may conduct special or targeted examinations to address particular concerns or issues at any time. Insurance regulators of other states in which Lemonade Insurance Company is licensed to sell insurance may also conduct periodic examinations. The results of these examinations can give rise to regulatory orders requiring remedial, injunctive, or other corrective action~~ . Our ability to retain state licenses depends on our ability to meet licensing requirements established by the NAIC and adopted by each state, subject to variations across states. If we are unable to satisfy the applicable licensing requirements of any particular state, we could lose our license to do business in such state, which would result in the temporary or permanent cessation of our operations in that state. Alternatively, if we are unable to satisfy applicable state licensing requirements, we may be subject to additional regulatory oversight, have our license suspended, or be subject to seizure of assets. Any such events could adversely affect our business, results of operations or financial condition. See" Regulation — Required Licensing." In addition, as a condition to writing business in certain states, insurers are required to participate in various pools or risk sharing mechanisms or to accept certain classes of risk, regardless of whether such risks meet their underwriting requirements for voluntary business. Some states also limit or impose restrictions on the ability of an insurer to withdraw from certain classes of business. New York, among other states, imposes significant restrictions on a company' s ability to materially reduce its exposures or to withdraw from certain lines of business. The state insurance departments can impose significant charges on an insurer in connection with a market withdrawal or refuse to approve withdrawal plans on the grounds that they could lead to market disruption. Laws and regulations that limit cancellation and non- renewal of policies or that subject withdrawal plans to prior approval requirements may significantly restrict our ability to exit unprofitable markets. Such actions and related regulatory restrictions may limit our ability to reduce our potential exposure to hurricane- related losses ~~. Further, federal, state and / or local government actions to address the impact of COVID- 19 may adversely affect us. Regulatory restrictions or requirements have impacted or may impact pricing, risk selection and our rights and obligations with respect to our policies and customers, including our ability to cancel and non- renew policies and to collect premiums. Several state regulators have issued orders, and may issue additional orders, requiring insurers to issue premium refunds and offer deferred payment options, and regulators in other states could take similar actions or renew such actions that have expired. Many insurers, including us, have voluntarily provided, and may further provide, deferred payment options to customers. It is also possible that changes in economic conditions and steps taken by federal, state and local governments in response to COVID- 19 could require an increase in taxes at the federal, state and local levels, which would adversely impact our results of operations~~ . Our European insurance entities, Lemonade Insurance N. V., Lemonade Agency B. V. and Lemonade B. V., are subject to primary supervision by the Dutch Central Bank (De Nederlandsche Bank," DNB") as the supervisory authority of its home member state, the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten," AFM"), and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht," BaFin") as the supervisory authority of a host member state. DNB and AFM expect firms to avoid actions that jeopardize compliance with their statutory objectives and applicable rules and regulations and have extensive powers to intervene in the affairs of a regulated firm. When DNB is concerned that an insurer may present a risk, this may lead to negative consequences, including the requirement to maintain a higher level of regulatory capital (via capital" add- ons" under the Solvency II Directive) to match the higher perceived risks and enforcement action where the risks identified breach applicable rules and regulations. In the case of a breach of our license requirements or obligations arising from the applicable rules and regulations, we may be subject to the DNB and the AFM' s sanctions, including (public) formal warnings, orders to adopt a certain course of conduct, incremental penalties and administrative fines, revocation of an undertaking license and, in the case of insurers, where the breach relates to material prudential shortcomings, emergency measures (including the appointment of an administrator or the imposition of measures aimed at winding- up the undertaking). Any such events could adversely affect our business, results of operations or financial condition. See" Business- Regulation- European Regulation." 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 **. We are subject to the insurance holding company laws of New York, Delaware and California, which require LIC and MIC to register with the NYDFS, the Delaware Department of Insurance (" DE Dept.") and the California Department of Insurance (" CDI"), as applicable, and furnish information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of LIC and MIC. These statutes also provide that all transactions among members of a holding company system must be fair and reasonable and, if material or of specified types, such transactions require prior notice and approval or non- disapproval by the NYDFS, DE Dept. or the CDI. These prior notification and approval requirements may result in business delays and additional business expenses. If we fail to comply with such requirements or fail to comply with other applicable insurance regulations in New York, Delaware or California, we may be subject to fines and penalties imposed by the applicable state insurance departments** . In the past decade, various state insurance regulators have increased their focus on risks within an insurer' s holding company system that may pose enterprise risk to the insurer. In 2012, the NAIC adopted significant changes to the insurance holding company act and regulations (the" NAIC Amendments"). The NAIC Amendments, when adopted by the various states, are designed to respond to perceived gaps in the regulation of insurance holding company systems in the United States. One of the major changes is a requirement that an insurance holding company system' s ultimate controlling person submit annually to its lead state insurance regulator an" enterprise risk report" that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. Other changes include requiring a controlling person to submit prior notice to its domiciliary insurance regulator of a divestiture of control, having detailed minimum requirements for cost sharing and management agreements between an insurer and its affiliates and expanding of the agreements between an insurer and its affiliates to be filed with its domiciliary insurance regulator. The NAIC Amendments must be adopted by the individual state legislatures and insurance regulators in order to be effective. New York State, **Delaware and California** ~~our main domiciliary state for our insurance subsidiary, includes~~ **include** a form of the enterprise risk report requirement. In 2012, the NAIC also adopted the Risk Management and Own Risk and Solvency Assessment Model Act (the" ORSA Model Act"). The ORSA Model Act, when adopted by the various states, will require an insurance holding company system' s Chief Risk Officer to submit annually to its lead state insurance regulator an Own Risk and Solvency Assessment Summary Report (" ORSA"). The ORSA is a confidential internal assessment appropriate to the nature, scale and complexity of an insurer, conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer' s current business plan and the sufficiency of capital resources to support those risks. The ORSA Model Act must be adopted by the individual state legislature and insurance regulators in order to be effective. While New York has not formally passed the ORSA requirement, it has implemented a form" F" filing requirement that is the initial response to the ORSA Model Act. We cannot predict the impact, if any, that the NAIC Amendments, compliance with the ORSA Model Act, or any other regulatory requirements may have on our business, financial condition or results of operations. See" Business- Regulation." The increasing adoption by states of cybersecurity regulations could impose additional compliance burdens on us and expose us to additional liability. In response to the growing threat of cyber- attacks in the insurance industry, certain jurisdictions, including New York, have begun to consider new cybersecurity measures, including the adoption of cybersecurity regulations. In March 2017, the NYDFS promulgated Cybersecurity Requirements for Financial Services Companies, which requires covered financial institutions, including Lemonade Insurance Company, to establish and maintain a cybersecurity program and implement and maintain cybersecurity policies and procedures with specific requirements. **On November 1, 2023, the NYDFS amended the Cybersecurity Requirements for Financial Services Companies to expand such requirements and add new obligations.** Additionally, on October 24, 2017, the NAIC adopted its Insurance Data Security Model Law, intended to serve as model legislation for states to enact in order to govern cybersecurity and data protection practices of insurers, insurance agents, and other licensed entities registered under state insurance laws. Alabama, Connecticut, Delaware, **Hawaii, Illinois,** Indiana, **Iowa, Kentucky,** Louisiana, **Maine,** Maryland, Michigan **, Minnesota** , Mississippi, New Hampshire, **North Dakota,** Ohio **, Pennsylvania** , South Carolina ~~and~~ **, Tennessee, Vermont,** Virginia **and Wisconsin** have adopted versions of the NAIC Insurance Data Security Model Law, each with a different effective date, and other states may adopt versions of the NAIC Insurance Data Security Model Law in the future. Although we take steps to comply with financial industry cybersecurity regulations and believe we are materially compliant with their requirements, our failure to comply with new or existing cybersecurity regulations could result in regulatory actions and other penalties. In addition, efforts to comply with new or existing cybersecurity regulations could impose significant costs on our business, which could materially and adversely affect our business, financial condition or results of operations. See" Business- Regulation of Enterprise Risk, Cybersecurity, and Other Recent Developments". 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. Our renters, homeowners, pet, life and car insurance business is 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 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. In addition, ~~the~~ **global pandemics, such as** COVID- 19 **have** ~~pandemic continues to evolve, with pockets of resurgence and the emergence of variant strains contributing to continued uncertainty about its scope, duration, severity, trajectory, and lasting impact. We continue to assess and update our business continuity plans in the context of this pandemic, COVID- 19 has~~ impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates. ~~The~~ **Any** pandemic ~~has~~ **, epidemic or a similar future outbreak of disease or public health concern, could** ~~caused~~ - **cause** an economic slowdown **which** ~~of potentially extended duration, and it is possible that it could cause a global recession. This~~ could result in an increase in fraudulent claims or a decrease in apartment rentals or home sales, an increase in costs associated with claims under our policies, as well as an increase in the number of customers experiencing difficulty paying premiums, any of which could have a material adverse effect on our business and results of operations. Climate risks, including risks associated with disruptions caused by the transition to a low- carbon economy, could adversely affect our business, results of operations and financial condition. The effects of climate change continue to create an alarming level of concern for the state of the global environment. As a result, the global business community has increased its political and social awareness surrounding the issue, and the United States has entered into international agreements in an attempt to lessen expected increases in global temperatures, such as reentering the Paris Agreement. Further, the U. S. Congress, state legislatures and federal and state regulatory agencies continue to propose and enact initiatives to supplement the global effort to combat climate change. If new legislation or regulation is enacted, we could incur increased costs and capital expenditures to comply with its limitations, which may impact our financial condition and operating performance. For example, on November 21, 2021, the NYDFS issued Guidance for New York Domestic Insurers on Managing the Financial Risks from Climate Change, pursuant to which domestic insurers are expected to take a strategic approach to managing climate risks. The guidance imposed an initial deadline of August 15, 2022, under which domestic insurers were expected to implement certain board and management governance measures and develop specific plans to implement certain organizational structure changes. NYDFS is expected to issue further guidance on timing regarding more complex expectations, such as those relating to risk appetite, analysis of the impact of climate risks on existing risk factors, reflection of climate risks in the Own Risk and Solvency Assessment (ORSA), scenario analysis, and public disclosure. In addition, the U. S. Federal Reserve recently identified climate change as a systemic risk to the economy. It also reported that a gradual change in investor sentiment regarding climate risk introduces the possibility of abrupt tipping points or significant swings in sentiment, which could create unpredictable follow- on effects in financial markets. If this occurred, we could be negatively impacted by the general economic decline, including by possible negative impacts to our stock price. Increasing scrutiny, actions and changing expectations from investors, clients, regulators and our employees **and other stakeholders** with respect to environmental, social and governance (" ESG ") matters may impose additional costs on us, impact our access to capital, or expose us to new or additional risks. Increased focus, including from governmental organizations, investors, employees ~~and~~ **,** clients **and other stakeholders** , on ESG matters such as environmental stewardship, climate change, diversity, equity and inclusion, pay equity, racial justice, workplace conduct and cybersecurity and data privacy, may result in increased costs (including but not limited to increased costs related to compliance and stakeholder engagement), impact our reputation, or otherwise affect our business performance. Negative public perception, adverse publicity or negative comments in social media could damage our reputation or harm our relationships with regulators and the communities in which we operate, if we do not, or are not perceived to, adequately address these issues, including if we fail to demonstrate progress towards any current or future our ESG goals. Any harm to our reputation could negatively impact employee engagement and retention and the willingness of customers to do business with us. ESG matters have been the subject of increased focus by certain regulators, including in the U. S., EU, and the UK. In the event divergent ESG disclosure obligations arise between the U. S., UK and the EU, this may also present an increased compliance risk if we are required to comply with different regulatory standards. Additionally, conflicting ESG policies within jurisdictions, such as between federal and some state policies in the U. S., is leading to a complex and fragmented regulatory environment, which may be difficult to navigate. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. At the same time, certain stakeholders might not be satisfied that we have adopted ESG practices at all. Actual or perceived shortcomings with respect to our ESG practices and reporting could negatively impact our business. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. In addition, a variety of organizations have developed ratings to measure the performance of companies on ESG topics, and the results of some of these assessments are widely publicized. Such ratings are used by some investors to inform their investment and voting decisions. In addition, many investors have created their own proprietary ratings that inform their investment and voting decisions. Unfavorable ratings of the Company or our industry, as well as omission of inclusion of our stock into ESG- oriented investment funds may lead to negative investor sentiment and the diversion of investment to other companies or industries, which could have a negative impact on our stock price and our access to and cost of capital. 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 revenue and results of operations could vary significantly from period to period and may fail to match expectations as a result of a variety of factors, some of which are outside of our control. Our results may vary as a result of fluctuations in the number of customers purchasing our insurance products and fluctuations in the timing and amount of our expenses. In addition, the insurance industry, and particularly renters and homeowners insurance, are subject to their own cyclical trends and uncertainties, including extreme weather which is often seasonal and may result in volatility in claims reporting and payment patterns. Fluctuations and variability across the industry may affect our revenue. As a result of the potential variations in our revenue and results of operations, period- to- period comparisons may not be meaningful and the results of any one period should not be relied on as an indication of future performance. In addition, our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect our stock price. We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and resulting fluctuations in our rate of growth as a result of insurance spending patterns. Specifically, our revenues may be proportionately higher in our third fiscal quarter due to the seasonality of when renters and homeowners move into new homes, which historically occurs in the months of July, August and September. Accordingly, the amount of growth we experience may also be greater in the third quarter. In addition, as our business expands and matures, other seasonality trends may develop and the existing seasonality and customer behavior that we experience may change. Volatility in our key operating metrics or their rates of growth could have a negative impact on our financial results and investor perceptions of our business prospects and a failure to achieve our quarterly forecasts or to meet or exceed the expectations of research analysts or investors will cause our stock price to decline. 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. We use data, technology and intellectual property licensed from unaffiliated third parties in certain of our products, including insurance industry proprietary information that we license from Insurance Services Office, Inc. (" ISO"), and we may license additional third- party technology and intellectual property in the future. Any errors or defects in this third- party technology and intellectual property could result in errors that could harm our brand and business. In addition, licensed technology and intellectual property may not continue to be available on commercially reasonable terms, or at all. Also, should ISO refuse to license its proprietary information to us on the same terms that it offers to our competitors, we could be placed at a significant competitive disadvantage. Further, although we believe that there are currently adequate replacements for the third- party technology and intellectual property we presently use other than proprietary information provided by ISO, the loss of our right to use any of this technology and intellectual property could result in delays in producing or delivering affected products until equivalent technology or intellectual property is identified, licensed or otherwise procured, and integrated. Our business would be disrupted if any technology and intellectual property we license from others or functional equivalents of this software were either no longer available to us or no longer offered to us on commercially reasonable terms. In either case, we would be required either to attempt to redesign our products to function with technology and intellectual property available from other parties or to develop these components ourselves, which would result in increased costs and could result in delays in product sales and the release of new product offerings. Alternatively, we might be forced to limit the features available in affected products. Any of these results could harm our business, results of operations and financial condition. 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. Along with others in the insurance industry, models developed internally and by third party vendors are used along with our own historical data in assessing property insurance exposure to catastrophe losses. These models assume various conditions and probability scenarios; however, they do not necessarily accurately predict future losses or measure losses currently incurred. Further, the accuracy of such models may be negatively impacted by changing climate conditions. Catastrophe models use historical information and scientific research about natural events, such as hurricanes and earthquakes, as well as detailed information about our in- force business. This information is used in connection with pricing and risk management activities. However, since actual catastrophic events vary considerably, there are limitations with respect to its usefulness in predicting losses in any reporting period. Other limitations are evident in significant variations in estimates between models, material increases and decreases in results due to model changes and refinements of the underlying data elements and actual conditions that are not yet well understood or may not be properly incorporated into the models. We are subject to payment processing risk. We currently rely ~~exclusively~~ on ~~one~~ third- party ~~vendor~~ **vendors** to provide payment processing services, including the processing of payments from credit cards and debit cards, and our business would be disrupted if ~~this~~ **these** ~~vendor~~ **vendors** ~~becomes~~ **become** unwilling or unable to provide these services to us and we are unable to find a suitable replacement on a timely basis. If we or our processing vendor fail to maintain adequate systems for the authorization and processing of credit card transactions, it could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if these systems fail to work properly and, as a result, we do not charge our customers' credit cards on a timely basis or at all, our business, revenue, results of operations and financial condition could be harmed. The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment- related data are compromised due to a breach of data, we may be liable for significant costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. In addition, our customers could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to our payment systems that may result in higher costs. If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher credit card- related costs, each of which could harm our business, results of operations and financial condition. Our success depends upon the insurance industry continuing to move online at its current pace and the continued growth and acceptance of online products and services as effective alternatives to traditional offline products and services. We provide renters, homeowners, pet, life and car insurance products through our website and our online app that compete with traditional offline counterparts. We do not generally offer insurance through traditional, offline brokers. We believe that the continued growth and acceptance of online products and services generally will depend, to a large extent, on the continued growth in commercial use of the internet and the continued migration of traditional offline markets and industries online. Purchasers of insurance may develop the perception that purchasing insurance products online is not as effective as purchasing such products through a broker or other traditional offline methods, and the homeowners and renters insurance markets may not migrate online as quickly as (or at the levels that) we expect. Moreover, if, for any reason, an unfavorable perception develops that data automation, artificial intelligence and / or bots are less efficacious than traditional offline methods of purchasing insurance, underwriting, claims processing, and other functions that use data automation, artificial intelligence and / or bots, our business, results of operations and financial condition could be adversely affected. 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 financial condition and results of operations depends on our ability to accurately assess potential losses and loss adjustment expenses under the terms of the policies we underwrite. Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what the expected ultimate settlement and administration of claims will cost, and the ultimate liability may be greater or less than the current estimate. In our industry, there is always the risk that reserves may prove inadequate as it is possible for us to underestimate the cost of claims and claims administration. We base our estimates on our assessment of known facts and circumstances, as well as estimates of future trends in claim severity, claim frequency, judicial theories of liability, and other factors. These variables are affected by both internal and external events that could increase our exposure to losses, including changes in actuarial projections, claims handling procedures, inflation, severe weather, climate change, economic and judicial trends and legislative changes. We regularly monitor reserves using new information on reported claims and a variety of statistical techniques to update our current estimate. Our estimates could prove to be inadequate, and this underestimation could have a material adverse effect on our financial condition. Recorded claim reserves, including case reserves and incurred but not reported (" IBNR") claims reserves, are based on our estimates of losses after considering known facts and interpretations of the circumstances, including settlement agreements. Additionally, models that rely on the assumption that past loss development patterns will persist into the future are used. Internal factors are considered including our experience with similar cases, actual claims paid, historical trends involving claim payment patterns, pending levels of unpaid claims, loss management programs, product mix, contractual terms and changes in claim reporting, and settlement practices. External factors are also considered, such as court decisions, changes in law and litigation imposing unintended coverage. We also consider benefits, such as disallowing the use of benefit payment schedules, requiring coverage designed to cover losses that occur in a single policy period to losses that develop continuously over multiple policy periods or requiring the availability of multiple limits. Regulatory requirements and economic conditions are also considered. Since reserves are estimates of the unpaid portion of losses that have occurred, including IBNR losses, the establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain and complex process that is regularly refined to reflect current estimation processes and practices. The ultimate cost of losses may vary materially from recorded reserves and such variance may adversely affect our results of operations and financial condition as the reserves and reinsurance recoverables are reestimated. If any of our insurance reserves should prove to be inadequate for the reasons discussed above, or for any other reason, we will be required to increase reserves, resulting in a reduction in our net income and stockholders' equity in the period in which the deficiency is identified. Future loss experience substantially in excess of established reserves could also have a material adverse effect on future earnings and liquidity and financial rating, which would affect our ability to attract new business or to retain existing customers. Our insurance subsidiaries are subject to minimum capital and surplus requirements, and our failure to meet these requirements could subject us to regulatory action. Our insurance subsidiaries are subject to risk- based capital standards and other minimum capital and surplus requirements imposed under the laws of the State of New York and Delaware, respectively. The risk- based capital standards, based upon the Risk- Based Capital Model Act adopted by the NAIC, require our insurance subsidiaries to report their results of risk- based capital calculations to the NYDFS, or ~~DEDFS~~ **DE Dept.** , as applicable and the NAIC. These risk- based capital standards provide for different levels of regulatory attention depending upon the ratio of an insurance company' s total adjusted capital, as calculated in accordance with NAIC guidelines, to its authorized control level risk- based capital. Authorized control level risk- based capital is determined using the NAIC' s risk- based capital formula, which measures the minimum amount of capital that an insurance company needs to support its overall business operations. An insurance company with total adjusted capital that is less than 200 % of its authorized control level risk- based capital is at a company action level, which would require the insurance company to file a risk- based capital plan that, among other things, contains proposals of corrective actions the Company intends to take that are reasonably expected to result in the elimination of the Company action level event. Additional action level events occur when the insurer' s total adjusted capital falls below 150 %, 100 %, and 70 % of its authorized control level risk- based capital. The lower the percentage, the more severe the regulatory response, including, in the event of a mandatory control level event (total adjusted capital falls below 70 % of the insurer' s authorized control level risk-based capital), placing the insurance company into receivership. As of December 31, ~~2022~~ **2023** , our risk- based capital ratio was ~~376~~ **416** % for LIC and ~~440~~ **476** % for MIC. In addition, our insurance subsidiaries are required to maintain certain minimum capital and surplus and to limit its written premiums to specified multiples of its capital and surplus. The insurance subsidiaries could exceed these ratios if its volume increases faster than anticipated or if its surplus declines due to catastrophe or non- catastrophe losses or excessive underwriting and operational expenses. Any failure by our insurance subsidiaries to meet the applicable risk- based capital or minimum statutory capital requirements or the writings ratio limitations imposed by the laws of the State of New York or Delaware, as applicable (or other states where currently or may in the future conduct business) could subject them to further examination or corrective action imposed by state regulators, including limitations on our writing of additional business, state supervision, or liquidation. Any changes in existing risk- based capital requirements, minimum statutory capital requirements, or applicable writings ratios may require us to increase our statutory capital levels, which we may be unable to do. See" Business- Regulation of Our Business — Risk- Based Capital." We are subject to assessments and other surcharges from state guaranty funds, and mandatory state insurance facilities, which may ~~reduce~~ **affect** our **ability to achieve** profitability. The insurance laws of many states subject property and casualty insurers doing business in those states to statutory property and casualty guaranty fund assessments. The purpose of a guaranty fund is to protect customers by requiring that solvent property and casualty insurers pay the insurance claims of insolvent insurers. These guaranty associations generally pay these claims by assessing solvent insurers proportionately based on each insurer' s share of voluntary premiums written in the state. While most guaranty associations provide for recovery of assessments through subsequent rate increases, surcharges or premium tax credits, there is no assurance that insurers will ultimately recover these assessments, which could be material, particularly following a large catastrophe or in markets which become disrupted. Maximum contributions required by law in any one year vary by state. We cannot predict with certainty the amount of future assessments because they depend on factors outside our control, such as insolvencies of other insurance companies. Significant assessments could have a material adverse effect on our financial condition and results of operations. See" Business- Regulation of Our Business — Insolvency Funds and Associations, Mandatory Pools, and Insurance Facilities." Our ability to compete in the property and casualty insurance industry and our ability to expand our business is partially dependent on us maintaining our Demotech, Inc. rating, and may be negatively affected by the fact that we do not have a rating from A. M. Best. Our insurance subsidiary, LIC, currently has a Financial Stability Rating (" FSR") of' A' Exceptional from Demotech, Inc., a financial analysis firm that provides FSRs as well as consulting services for property and casualty insurance companies and title underwriters. Demotech, Inc. provides financial stability ratings to insurance companies of all sizes. When providing a rating, Demotech, Inc. evaluates total assets, liabilities, revenues and expenses, working capital, administrative expenses, net income, surplus, receivables, amount of business written, industry focus and business model, among others. Below is Demotech, Inc.' s rating scale: • A" (A Double Prime), Unsurpassed: 100 % of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment; • A' (A Prime), Unsurpassed: 99 % of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment; • A, Exceptional: 97 % of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment; • S, Substantial: 95 % of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment; • M, Moderate: 90 % of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment; and • L, Licensed: These companies have been assessed but have not been given one of the financial strength ratings listed above. While our Demotech, Inc. rating has proved satisfactory to date, we cannot assure that this rating will remain at its current level and it is possible that some prospective customers may be reluctant to do business with a company that is not rated by A. M. Best. We have never been reviewed by A. M. Best and do not currently intend to seek a rating from A. M. Best. Unlike Demotech, Inc., A. M. Best may penalize companies that are highly leveraged, including those companies that utilize reinsurance to support premium writings. We do not plan to give up revenues or efficiency of size as a means to qualify for an acceptable A. M. Best rating. Not having an A. M. Best rating may prevent us from expanding our business or limit our access to credit from certain financial institutions, which may in turn limit our ability to compete with large, national insurance companies and certain regional insurance companies. Performance of our investment portfolio is subject to a variety of investment risks that may adversely affect our financial results. Our results of operations depend, in part, on the performance of our investment portfolio. We seek to hold a diversified portfolio of investments in accordance with our investment policy and routinely reviewed by our Investment Committee. However, our investments are subject to general economic and market risks as well as risks inherent to particular securities. Our primary market risk exposures are to changes in interest rates and equity prices. See Part II Item 7A. " Quantitative and Qualitative Disclosures about Market Risk. " Although in previous years, interest rates have been at or near historic lows, interest rates began and ~~continued to rise through~~ **remained at historically high levels during** fiscal ~~2022~~ **2023** . A protracted low interest rate environment could place pressure on our net investment income, particularly as it relates to fixed income securities and short- term investments, which, in turn, may adversely affect our operating results. A protracted high interest rate environment could cause the values of our fixed income securities portfolios to decline, with the magnitude of the decline depending on the duration of securities included in our portfolio and the amount by which interest rates increase. Some fixed income securities have call or prepayment options, which create possible reinvestment risk in declining rate environments. Other fixed income securities, such as mortgage- backed and asset- backed securities, carry prepayment risk or, in a rising interest rate environment, may not prepay as quickly as expected. The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to deterioration in the financial condition of one or more issuers of the securities we hold, or due to deterioration in the financial condition of an insurer that guarantees an issuer' s payments on such investments. Downgrades in the credit ratings of fixed maturities also have a significant negative effect on the market valuation of such securities. Such factors could reduce our net investment income and result in realized investment losses. Our investment portfolio is subject to increased valuation uncertainties when investment markets are illiquid. The valuation of investments is more subjective when markets are illiquid, thereby increasing the risk that the estimated fair value (i. e., the carrying amount) of the securities we hold in our portfolio does not reflect prices at which actual transactions would occur. We may also invest in marketable equity securities. These securities are carried on the balance sheet at fair market value and are subject to potential losses and declines in market value. Risks for all types of securities are managed through the application of our investment policy, which establishes investment parameters that include, but are not limited to, maximum percentages of investment in certain types of securities and minimum levels of credit quality, which we believe are within applicable guidelines established by the NAIC ~~and~~ **,** the NYDFS **and the DE Department** . Although we seek to preserve our capital, we cannot be certain that our investment objectives will be achieved, and results may vary substantially over time. In addition, although we seek to employ investment strategies that are not correlated with our insurance and reinsurance exposures, losses in our investment portfolio may occur at the same time as underwriting losses and, therefore, exacerbate the adverse effect of the losses on us. Unexpected changes in the interpretation of our coverage or provisions, including loss limitations and exclusions, in our policies could have a material adverse effect on our financial condition and results of operations. There can be no assurances that specifically negotiated loss limitations or exclusions in our policies will be enforceable in the manner we intend. As industry practices and legal, judicial, social, and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. For example, many of our policies limit the period during which a customer may bring a claim, which may be shorter than the statutory period under which such claims can be brought against our customers. While these limitations and exclusions help us assess and mitigate our loss exposure, it is possible that a court or regulatory authority could nullify or void a limitation or exclusion or legislation could be enacted modifying or barring the use of such limitations or exclusions. These types of governmental actions could result in higher than anticipated loss and loss adjustment expense, which could have a material adverse effect on our financial condition or results of operations. In addition, court decisions, such as the 1995 Montrose decision in California could read policy exclusions narrowly so as to expand coverage, thereby requiring insurers to create and write new exclusions. These issues may adversely affect our business by either broadening coverage beyond our underwriting intent or by increasing the frequency or severity of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued. Risks Relating to Our Existence as a Public Benefit Corporation We operate as a Delaware public benefit corporation. As a public benefit corporation, we cannot provide any assurance that we will achieve our public benefit purpose. As a public benefit corporation, we are required to produce a public benefit or benefits and to operate in a responsible and sustainable manner, balancing our stockholders' pecuniary interests, the best interests of those materially affected by our conduct, and the public benefit or benefits identified by our amended and restated certificate of incorporation (the " Amended Charter "). There is no assurance that we will achieve our public benefit purpose or that the expected positive impact from being a public benefit corporation will be realized, which could have a material adverse effect on our reputation, which in turn may have a material adverse effect on our business, results of operations and financial condition. As a public benefit corporation, we are required to publicly disclose a report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. If we are not timely or are unable to provide this report, or if the report is not viewed favorably by parties doing business with us or regulators or others reviewing our credentials, our reputation and status as a public benefit corporation may be harmed. If we lose our certification as a Certified B Corp or our publicly reported B Corp score declines, or if state or federal regulators restrict, delay or otherwise interfere with our ability to make charitable contributions, our reputation could be harmed and our business could be adversely affected. Our business model and brand could be harmed if we were to lose our certification as a Certified B Corp or if state or federal regulators impede or otherwise delay or restrict our ability to make charitable contributions. Certified B Corp status is a certification that requires us to consider the impact of our decisions on our workers, customers, suppliers, community and the environment. We believe that Certified B Corp status has allowed us to build credibility and trust among our customers. Whether due to our choice or our failure to meet B Lab' s certification requirements, any change in our status could create a perception that we are more focused on financial performance and no longer as committed to the values shared by Certified B Corp. Likewise, our reputation could be harmed if our publicly reported B Corp score declines and there is a perception that we are no longer committed to the Certified B Corp standards. Similarly, our reputation could be harmed if we take actions that are perceived to be misaligned with B Lab' s values. See" Business — Certified B Corp Status." Furthermore, state or federal regulators could restrict, delay, or otherwise interfere with our ability to contribute the residual amount left over after paying claims and reinsurance to nonprofits selected by our customers. This could erode customer trust in our products and services, weaken incentives for good customer behavior, and drive down demand for our products and services. Any such harm to our reputation could have a material adverse effect on our business, financial position and results of operations. 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. Unlike traditional corporations, which have a fiduciary duty to focus exclusively on maximizing stockholder value, our directors have a fiduciary duty to consider not only the stockholders' interests, but also the Company' s specific public benefit and the interests of other stakeholders affected by our actions. Therefore, we may take actions that we believe will be in the best interests of those stakeholders materially affected by our specific benefit purpose, even if those actions do not maximize our financial results. While we intend for this public benefit designation and obligation to provide an overall net benefit to us and our customers, it could instead cause us to make decisions and take actions without seeking to maximize the income generated from our business, and hence available for distribution to our stockholders. Our pursuit of longer- term or non- pecuniary benefits may not materialize within the timeframe we expect or at all, yet may have an immediate negative effect on any amounts available for distribution to our stockholders. Accordingly, being a public benefit corporation and complying with our related obligations could have a material adverse effect on our business, results of operations and financial condition, which in turn could cause our stock price to decline. As a public benefit corporation, we are less attractive as a takeover target than a traditional company would be and, therefore, your ability to realize your investment through an acquisition may be limited. Under Delaware law, a public benefit corporation cannot merge or consolidate with another entity if, as a result of such merger or consolidation, the surviving entity' s charter" does not contain the identical provisions identifying the public benefit or public benefits," unless the transaction receives approval from two- thirds of the target public benefit corporation' s outstanding voting shares. Additionally, public benefit corporations may also not be attractive targets for activists or hedge fund investors because new directors would still have to consider and give appropriate weight to the public benefit along with shareholder value, and shareholders committed to the public benefit can enforce this through derivative suits. Further, by requiring that board of directors of public benefit corporations consider additional constituencies other than maximizing shareholder value, Delaware public benefit corporation law could potentially make it easier for a board to reject a hostile bid, even where the takeover would provide the greatest short- term financial yield to investors. 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. While directors of traditional corporations are required to make decisions they believe to be in the best interests of their stockholders, directors of a public benefit corporation have a fiduciary duty to consider not only the stockholders' interests, but also the company' s specific public benefit and the interests of other stakeholders affected by the company' s actions. Under Delaware law, directors are shielded from liability for breach of these obligations if they make informed and disinterested decisions that serve a rational purpose. Thus, unlike traditional corporations which must focus exclusively on stockholder value, our directors are not merely permitted, but obligated, to consider our specific public benefit and the interests of other stakeholders. In the event of a conflict between the interests of our stockholders and the interests of our specific public benefit or our other stakeholders, our directors must only make informed and disinterested decisions that serve a rational purpose; thus, there is no guarantee such a conflict would be resolved in favor of our stockholders, which could have a material adverse effect on our business, results of operations and financial condition, which in turn could cause our stock price to decline. As a Delaware public benefit corporation, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interest, the occurrence of which may have an adverse impact on our financial condition and results of operations. Stockholders of a Delaware public benefit corporation (if they, individually or collectively, own at least two percent of the company' s outstanding shares) are entitled to file a derivative lawsuit claiming the directors failed to balance stockholder and public benefit interests. This potential liability does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention of our management, and, as a result, may adversely impact our management' s ability to effectively execute our strategy. Additionally, any such derivative litigation may be costly, which may have an adverse impact on our financial condition and results of operations. Risks Relating to Ownership of Our Common Stock ~~A joint investment committee consisting of our Co- Founders and an~~ **and Warrants** ~~executive of SoftBank will have sole voting and dispositive control over~~

~~the shares owned by the entities affiliated with SoftBank Group Corp. This joint investment committee further concentrates voting power with our Co- Founders, which could limit your ability to influence the outcome of important transactions, including a change in control. As of March 2, 2023, entities affiliated with SoftBank Group Corp. beneficially own, in the aggregate, approximately 17. 3 % of our outstanding common stock, corresponding to 17. 3 % of the total voting rights in our Company. SoftBank Group Capital Limited has delegated all of its investment and voting power with respect to the shares of Lemonade that it owns to a three- member joint investment committee consisting of our Co- Founders and an executive of SoftBank, and which shall act unanimously. As a result, each of our Co- Founders will have an effective veto over the voting and dispositive decisions related to our shares held by SoftBank Group Capital Limited. Our Co- Founders' membership in the joint investment committee will increase our Co- Founders' significant influence over matters requiring stockholder approval, including the election of directors, the approval of certain business combinations or dispositions, amendments to our Amended Charter or to our amended and restated bylaws (the " Amended Bylaws "), and other extraordinary transactions. In addition, a deadlock among the committee members could hinder the voting of SoftBank Group Capital Limited' s shares on any given corporate action. Our Co- Founders, individually or together, may have interests that differ from yours and may influence the joint investment committee to vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of the Company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of the Company, and might ultimately affect the market price of our common stock.~~ The market price of our common stock **and warrants** may be volatile or decline, and you may not be able to resell your shares at or above the price you initially paid for our common stock. The trading price of our common stock **and warrants** could be volatile, and you could lose all or part of your investment. The following factors, in addition to other factors described in this" Risk Factors" section and included elsewhere in this document may have a significant impact on the market price of our common stock **and warrants** : • the occurrence of severe weather conditions and other catastrophes; • our operating and financial performance, quarterly or annual earnings relative to similar companies; • publication of research reports or news stories about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts; • the public' s reaction to our press releases, our other public announcements and our filings with the SEC; • announcements by us or our competitors of acquisitions, business plans or commercial relationships; • any major change in our board of directors or senior management, including the departure of either of our Co- Founders; • additional sales of our common stock **and warrants** by us, our directors, executive officers, principal shareholders, or our Co- Founders; • adverse market reaction to any indebtedness we may incur or securities we may issue in the future; • short sales, hedging and other derivative transactions in our common stock **and warrants** ; • exposure to capital market risks related to changes in interest rates, realized investment losses, credit spreads, equity prices, foreign exchange rates and performance of insurance- linked investments; • our creditworthiness, financial condition, performance, and prospects; • our dividend policy and whether dividends on our common stock **and warrants** have been, and are likely to be, declared and paid from time to time; • perceptions of the investment opportunity associated with our common stock relative to other investment alternatives; • regulatory or legal developments; • changes in general market, economic, and political conditions; • conditions or trends in our industry, geographies or customers; • short selling activities • changes in accounting standards, policies, guidance, interpretations or principles; and • threatened or actual litigation or government investigations. In addition, broad market and industry factors may negatively affect the market price of our common stock **and warrants** , regardless of our actual operating performance, and factors beyond our control may cause our stock price to decline rapidly and unexpectedly. In addition, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management' s attention and resources, which could have a material adverse effect on our business, financial condition, results of operations or prospects. Any adverse determination in litigation could also subject us to significant liabilities. Some provisions of our charter documents and Delaware law may have anti- takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management. Provisions in our Amended Charter and our Amended Bylaws, as well as provisions of the Delaware General Corporation Law (the" DGCL"), could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions include: • our board of directors is classified into three classes of directors with staggered three- year terms and directors are only able to be removed from office for cause; • nothing in our Amended Charter precludes future issuances without stockholder approval of the authorized but unissued shares of our common stock; • advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; • our stockholders will only be able to take action at a meeting of stockholders and not by written consent; • only our chairman of the board of directors, our ~~co-~~ chief executive ~~officers~~ - **officer** , our president (in the absence of ~~a~~ **the** chief executive officer), or a majority of the board of directors are authorized to call a special meeting of stockholders; • no provision in our Amended Charter or Amended Bylaws provides for cumulative voting, which limits the ability of minority stockholders to elect director candidates; • directors will only be able to be removed for cause; • certain amendments to our Amended Charter will require the approval of two- thirds of the then outstanding voting power of our capital stock; • our Amended Bylaws will provide that the affirmative vote of two- thirds of the then- outstanding voting power of our capital stock, voting as a single class, is required for stockholders to amend or adopt any provision of our bylaws; • our Amended Charter authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of our capital stock; and • certain litigation against us can only be brought in Delaware. These anti- takeover defenses could discourage, delay or prevent a transaction involving a change in control of our Company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take corporate actions other than those you desire. Applicable insurance laws may make it difficult to effect a change of control. Under applicable state insurance laws and regulations, no person may acquire control of a domestic insurer until written approval is obtained from the state insurance commissioner following a public hearing on the proposed acquisition. Such approval would be contingent upon the state insurance commissioner' s consideration of a number of factors including, among others, the financial strength of the proposed acquiror, the acquiror' s plans for the future operations of the domestic insurer and any anti- competitive results that may arise from the consummation of the acquisition of control. Lemonade Insurance Company is domiciled in New York and Metromile Insurance Company is domiciled in Delaware. Per the applicable laws and regulations of New York and Delaware, respectively, generally no person may acquire control of any insurer, whether by purchase of its securities or otherwise, unless it gives prior notice to the insurer and has received prior approval from the **superintendent or** Commissioner of Financial Services. Under New York and Delaware insurance law, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10 % or more of the voting stock of that insurance company or its parent company. These requirements may discourage potential acquisition proposals and may delay, deter, or prevent a change of control of Lemonade, Inc., including through transactions that some or all of the stockholders might consider to be desirable. ~~See also" Business- Regulation — Changes of Control."~~ Our Amended Charter designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. Our Amended Charter provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers, employees or agents, (iii) any action asserting a claim against us arising under the DGCL or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Securities Act or the Exchange Act, or to any claim for which the federal courts have exclusive jurisdiction. By becoming a stockholder in the Company, you will be deemed to have notice of and have consented to the provisions of our Amended Charter related to choice of forum. The choice of forum provision in our Amended Charter may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. Additionally, the enforceability of choice of forum provisions in other companies' governing documents has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our Amended Charter to be inapplicable or unenforceable in such action. If so, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition. We are subject to rules and regulations established from time to time by the SEC and the NYSE **and the NYSE American** regarding our internal control over financial reporting. Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes- Oxley Act could have a material adverse effect on our business and stock price. We are subject to the rules and regulations established from time to time by the SEC ~~and~~ **,** the NYSE **and the NYSE American** . These rules and regulations require, among other things, that we establish and periodically evaluate procedures with respect to our internal control over financial reporting. Such reporting obligations place a considerable strain on our financial and management systems, processes and controls, as well as our personnel. In addition, we are required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes- Oxley Act so that our management can certify as to the effectiveness of our control over financial reporting by the time our second annual report is filed with the SEC and thereafter, which will require us to document and make changes to our internal control over financial reporting. Section 404 (b) requires our independent registered public accounting firm to issue an annual report that addresses the effectiveness of our internal control over financial reporting. We expect to continue to incur costs related to implementing an internal audit and compliance function in the upcoming years to further enhance our internal control environment. If we identify material weaknesses in our internal control over financial reporting or if we are unable to comply with the demands placed upon us as a public company, including the requirements of Section 404 of the Sarbanes- Oxley Act, in a timely manner, we may be unable to accurately report our financial results, or report them within the timeframes required by the SEC. We also could become subject to sanctions or investigations by the ~~SE~~ **SEC** or other regulatory authorities. In addition, if we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, when required, investors may lose confidence in the accuracy and completeness of our financial reports, we may face restricted access to the capital markets and our stock price may be adversely affected. We depend on the ability of our subsidiaries to transfer funds to us to meet our obligations, and our insurance subsidiaries ability to pay dividends to us is restricted by law. We are a holding company that transacts a majority of our business through operating subsidiaries. Our ability to meet our operating and financing cash needs depends on the surplus and earnings of our subsidiaries, and upon the ability of our insurance subsidiaries to pay dividends to us. Payments of dividends by our insurance subsidiaries are restricted by state insurance laws, including laws establishing minimum solvency and liquidity thresholds. The limitations are based on income and surplus determined in accordance with statutory accounting principles, not GAAP. In addition, our insurance subsidiaries could be subject to contractual restrictions in the future, including those imposed by indebtedness we may incur in the future. Our insurance subsidiaries may also face competitive pressures in the future to maintain insurance financial stability or strength ratings. These restrictions and other regulatory requirements would affect the ability of our insurance subsidiaries to make dividend payments and we may not receive dividends in the amounts necessary to meet our obligations. See" Business- Regulation of Our Business — Restrictions on Paying Dividends." We do not currently expect to pay any cash dividends. We do not currently expect to pay any cash dividends on our common stock for the foreseeable future. Instead, we intend to retain future earnings, if any, for the future operation and expansion of our business. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on our results of operations (including our ability to generate cash flow in excess of expenses and our expected or actual net income), liquidity, cash requirements, financial condition, retained earnings and collateral and capital requirements, general business conditions, contractual restrictions, legal, tax and regulatory limitations, the effect of a dividend or dividends upon our financial strength ratings, and other factors that our board of directors deems relevant. See" Dividends." Because we are a holding company and all of our business is conducted through our subsidiaries, dividends, distributions and other payments from, and cash generated by, our subsidiaries will be our principal sources of cash to fund operations and pay dividends. Accordingly, our ability to pay dividends to our stockholders is dependent on the earnings and distributions of funds from our subsidiaries. Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any of our future debt or preferred equity securities or our subsidiaries. Accordingly, if you purchase shares of our common stock, realization of a gain on your investment will depend on the appreciation of the price of shares of our common stock, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our common stock. There is no guarantee that the warrants may ever be in the money, and they may expire worthless. The exercise price for Metromile' s warrants that were assumed by us in connection with the merger is $ 281. 51 per share. There can be no assurance that the warrants will be in the money prior to their expiration and, as such, they may expire worthless. ~~We have applied to list these~~ **These** warrants **are listed** on the NYSE American under the symbol " ~~LMNDWS~~ -- **LMND- WS** . " The terms of the warrants may be amended in a manner that may be adverse to the holders. The warrant agreement, as amended, between American Stock Transfer & Trust Company, LLC, as warrant agent, and us, as successor thereunder following the consummation of the merger (the " Metromile Warrant Agreement "), provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 65 % of the then outstanding Public Warrants (as defined in the Metromile Warrant Agreement) to make any change that adversely affects the interests of the registered holders. Accordingly, we may amend the terms of the warrants in a manner adverse to a holder if holders of at least 65 % of the then outstanding Public Warrants approve of such amendment. Our ability to amend the terms of the warrants with the consent of at least 65 % of the then outstanding Public Warrants is unlimited. Examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, shorten the exercise period or decrease the number of shares of our common stock purchasable upon exercise of a warrant. We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless. We have the ability to redeem outstanding warrants (excluding any Placement Warrants (as defined the Metromile Warrant Agreement) held by the initial holders or their permitted transferees) at any time after they become exercisable and prior to their expiration, at $ 0. 01 per warrant, provided that the last reported sales price (or the closing bid price of our common stock in the event the shares of our common stock are not traded on any specific trading day) of our common stock equals or exceeds $ 342. 01 per share (as adjusted for stock splits, stock dividends, reorganizations and the like) on each of 20 trading days within the 30 trading- day period ending on the third business day prior to the date on which we send proper notice of such redemption, provided that on the date we give notice of redemption and during the entire period thereafter until the time we redeems the warrants, we have an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the warrants and a current prospectus relating to them is available. If and when the warrants become redeemable by us, we may exercise its redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force a warrant holder: (i) to exercise its warrants and pay the exercise price therefore at a time when it may be disadvantageous for it to do so, (ii) to sell its warrants at the then- current market price when it might otherwise wish to hold its warrants or (iii) to accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, will be substantially less than the market value of its warrants Risks Relating to the Mergers with Metromile...... company' s operations. General Risks If we are unable to make acquisitions and investments, or successfully integrate them into our business, our business, results of operations and financial condition could be adversely affected. As part of our business strategy, we will continue to consider a wide array of potential strategic transactions, including acquisitions of businesses, new technologies, services and other assets and strategic investments that complement our business. We may evaluate target companies and make acquisitions in the future. There is no assurance that such acquired businesses will be successfully integrated into our business or generate substantial revenue. Acquisitions such as the acquisition of Metromile, involve numerous risks, any of which could harm our business and negatively affect our financial condition and results of operations, including: • intense competition for suitable acquisition targets, which could increase prices and adversely affect our ability to consummate deals on favorable or acceptable terms; • failure or material delay in closing a transaction, including as a result of regulatory review and approvals; • inadequacy of reserves for losses and loss expenses; • quality of their data and underwriting processes; • conditions imposed by regulatory agencies that make the realization of cost- savings through integration of operations more difficult; • difficulties in obtaining regulatory approvals on our ability to be an acquirer; • a need for additional capital that was not anticipated at the time of the acquisition; • transaction- related lawsuits or claims; • difficulties in integrating the technologies, operations, existing contracts and personnel of an acquired company; • difficulties in retaining key employees or business partners of an acquired company; • diversion of financial and management resources from existing operations or alternative acquisition opportunities; • failure to realize the anticipated benefits or synergies of a transaction; • failure to identify the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance practices, litigation, accounting practices, or employee or user issues; • risks that regulatory bodies may enact new laws or promulgate new regulations that are adverse to an acquired company or business; • theft of our trade secrets or confidential information that we share with potential acquisition candidates; • risk that an acquired company or investment in new offerings cannibalizes a portion of our existing business; and • adverse market reaction to an acquisition. If we fail to address the foregoing risks or other problems encountered in connection with past or future acquisitions of businesses, new technologies, services and other assets and strategic investments, or if we fail to successfully integrate such acquisitions or investments, our business, results of operations and financial condition could be adversely affected. **Concentrated ownership of our common stock could limit your ability to influence the outcome of important transactions, including a change in control. This concentration may create a risk of sudden changes in our common stock price. As of December 31, 2023, entities affiliated with SoftBank Group Corp. beneficially own, in the aggregate, approximately 17. 1 % of our outstanding common stock, corresponding to 9. 9 % of the total voting rights in our Company under our Amended Charter. This concentrated control may have the effect of delaying, preventing or deterring a change in control of the Company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of the Company, and might ultimately affect the market price of our common stock. Further, the sale by a major shareholder of a significant portion of their holdings (particularly entities affiliated with SoftBank Group Corp.) could have a material adverse effect on the market price of our common stock. In November 2023, we filed a registration statement on Form S- 3 registering all of the shares of our common stock then held by entities affiliated with SoftBank Group Corp.** An active, liquid trading market for our common stock may not be sustained, which may cause our common stock to trade at a discount from the public offering price and make it difficult for you to sell the common stock you purchase. We cannot predict the extent to which investor interest in us will sustain a trading market on the NYSE **and NYSE American** or how active and liquid that market may remain. If an active and liquid trading market is not sustained, you may have difficulty selling any of our common stock that you purchase at a price above the price you purchase it or at all. The failure of an active and liquid trading market to continue would likely have a material adverse effect on the value of our common stock. The market price of our common stock may decline below the public offering price, and you may not be able to sell your shares of our common stock at or above the price you paid or at all. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration. If securities or industry analysts cease publishing research or reports about us, our business or our markets, or if they adversely change their recommendations or publish negative reports regarding our business or our stock, our stock price and trading volume could materially decline. The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our markets, or our competitors. We cannot provide any assurance that analysts will continue to cover us or provide favorable coverage. If any of the analysts who may cover us adversely change their recommendation regarding our stock, or provide more favorable relative recommendations about our competitors, our stock price could materially decline. If any analyst who may cover us were to cease coverage of the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to materially decline. 