



Illinois Department of Insurance

JB Pritzker
Governor

Ann Gillespie
Director

July 1, 2025

Daniel Schreiber, Chief Executive Officer
c/o Robert Stevener
Lemonade Insurance Company
5 Crosby Street
New York, NY. 10013

Re: Lemonade Insurance Company, NAIC 16023
Market Conduct Examination - Closing Letter

Dear Daniel Schreiber,

The Department has received the Company's proof of compliance. Therefore, the Department is closing its file on this exam.

The Director shall open the Examination Report and Stipulation and Consent Order for public inspection, no sooner than 30 days, from the date of acceptance, as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Jack Engle".

Jack Engle
Deputy Director - Chief Market Conduct Examiner
Illinois Department of Insurance
320 West Washington Street, 5th Floor
Springfield, IL. 62767

Illinois Department of Insurance

Market Conduct Examination

Lemonade Insurance Company

Market Conduct Examination Report

Date of Examination: June 28, 2021, through April 30, 2022

Examination of: Lemonade Insurance Company (NAIC #16023)

Location of Examination: 5 Crosby Street
New York, NY. 10013

Period Covered: January 1, 2021, through September 30, 2022
(Complaints - January 1, 2021, through September 30, 2022)

Examiners: Robert W. McManus, CIE, MCM, AIRC, FLMI, FLHC
Sam Binnun, CIE, LUTCF, MCM
Parker Stevens, FLMI, AIRC, CCP, CIE, FAAPM, MPM, AMCM
Kent Dover, CIE, CPCU, ALMI, MCM
Josh Gehring, CIE, MCM, FLMI, AIRC, CPA, MBA
Teri Harkenrider, AIE, MCM, AIRC, ALMI
Tom McIntyre, CIE, CPCU, FLMI, AMCM, CICSR, CCP, AIRC, APA, ARA, ACS, CWCP
Andrew Calamita
Mike Descy, CIA, CISA, MCM, MBA

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I. Summary

A comprehensive market conduct examination of Lemonade Insurance Company (NAIC #16023), (herein referred to as “Lemonade” or “Company”) was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code.

The lines of business under review included Homeowners (“HO”), Private Passenger Automobile (“PPA”) and Pet (“PET”).

The following represents general findings from issued criticisms; however, specific details are found in each section of the report.

Table of Violations						
Criticism	Statute/ Rule	Description of Violation	Section	Sample	Violations	Error %
1	215 ILCS 5/141a(b)(1)	The Company acted as a Managing General Agent (MGA) without a license.	V.A	N/A	1	N/A
104	215 ILCS 5/141a(c)	The Company failed to place in force a contract with the Company that met all Code requirements prior to placing business with the Company,	V.A	N/A	1	N/A
4	50 Ill. Adm. Code 926.40	The Company failed to respond to a Department complaint within 21 calendar days or a date specified by the Department after receiving notification of the complaint.	V.B	14	4	28.6%
5	50 Ill. Adm. Code 926.50	The Company failed to maintain accurate records for complaints received from the Department and directly from consumers.	V.B	14	3	21.4%
6	215 ILCS 5/154.6(c)	The Company failed to effectuate prompt, fair, and equitable settlement of claims in which liability had become reasonably clear.	V.B	14	2	14.3%
8	50 Ill. Adm. Code 926.50	The Company did not maintain accurate complaint records.	V.B	84	8	9.5%
105	50 Ill. Adm. Code 926.50	The Company’s complaint records did not include the minimum information as outlined in Exhibit A and as defined in Exhibit B of 50 Ill. Adm. Code 926.50.	V.B	84	84	100.0%
9	50 Ill. Adm. Code 919.50	The Company failed to offer payment within 30 days after affirmation of liability.	V.B	84	3	3.6%
10	215 ILCS 5/154.6(b)	The Company failed to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies.	V.B	84	6	7.1%
106	215 ILCS 5/154.6(c)	The Company failed to adopt and implement reasonable standards for the prompt investigations and settlement of claims arising under its policies.	V.B	84	7	8.3%
107	215 ILCS 5/154.6(d)	The Company failed to attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear.	V.B	84	6	7.1%
50	50 Ill. Adm. Code 754.10	The Company failed to apply correct ratings.	V.B	84	84	100.0%

Table of Violations						
Criticism	Statute/ Rule	Description of Violation	Section	Sample	Violations	Error %
11	50 Ill. Adm. Code 926.50	The Company did not maintain accurate complaint records.	V.B	15	2	13.3%
108	50 Ill. Adm. Code 926.50	The Company's complaint records did not include the minimum information as outlined in Exhibit A and as defined in Exhibit B of 50 Ill. Adm. Code 926.50.	V.B	15	15	100.0%
12	215 ILCS 5/143.15	The Company failed to mail a cancellation notice to the policyholder at least 30 days prior to the effective date of the cancellation.	V.B	15	1	6.7%
20	50 Ill. Adm. Code 926.50	The Company did not maintain accurate complaint records.	V.B	56	25	44.6%
110	50 Ill. Adm. Code 926.50	The Company's complaint records did not include the minimum information as outlined in Exhibit A and as defined in Exhibit B of 50 Ill. Adm. Code 926.50.	V.B	56	56	100.0%
21	215 ILCS 5/429 50 Ill. Adm. Code 926.40	The Company provided an inadequate and inaccurate response to the consumer.	V.B	56	4	7.1%
54	215 ILCS 5/143.17(b-5)	The Company failed to comply with their approved policy filing. The Company failed to send notification to the consumer timely for a policy renewal included in the cancellation sample file.	V.B	56	3	5.4%
17	215 ILCS 5/143.14(a)	The Company cancelled policies one day after the intended cancellation date. The Company failed to maintain proof of mailing of cancellation notices on a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service.	V.D	116	116	100.0%
63	50 Ill. Adm. Code 754.10	The Company failed to refund the unearned premium pro-rated to the date of cancellation and provide the refund to the policyholder within 30 days of the cancellation notice or request.	V.D	116	2	1.7%
38a	215 ILCS 5.143.19(a)	The Company's Underwriting Guidelines for Private Passenger Auto Policies included a policy to review a policy with a claim within the first 59 days of inception for consideration of continued coverage.	V.D	N/A	N/A	N/A
18	215 ILCS 5/143.14(a)	The Company failed to maintain proof of mailing of cancellation notices on a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service. The Company cancelled policies one day after the intended cancellation date.	V.D	114	114	100.0%
19	215 ILCS 5/143.14	The Company failed to send a cancellation notice to the policyholder as well as the lienholder.	V.D	114	114	100.0%

Table of Violations						
Criticism	Statute/ Rule	Description of Violation	Section	Sample	Violations	Error %
32	215 ILCS 5/143.12a(a) 215 ILCS 5/143.12a(b)	The Company failed to calculate the premium refund amount accurately. The Company failed to provide the full refund to the policyholder within 30 days of the cancellation notice/request.	V.D	114	3	2.6%
33	215 ILCS 5/143.23	The Company failed to notify the insured of the right to appeal and the procedure to follow for such appeal.	V.D	114	2	1.8%
34	215 ILCS 5/143.20	The Company failed to notify the insured as to possible eligibility for insurance through the Illinois Automobile Insurance Plan when a policy is cancelled other than for nonpayment of premium.	V.D	114	2	1.8%
38b	215 ILCS 5/143.19(a)	The Company was in violation for canceling a policy on the sole basis of payment of a claim or claims against the policy.	V.D	114	2	1.8%
39	215 ILCS 5/143.10	The Company was in violation for canceling a policy on the sole basis that the policyholder's prior policy was cancelled by an insurer.	V.D	114	1	0.9%
40	215 ILCS 5/143.14(a)	The Company sent policyholders cancellation notices via email that incorrectly stated the date and time of policy cancellation.	V.D	115	5	4.3%
115	215 ILCS 5/143.14(a)	The Company sent policyholders cancellation notices via email that incorrectly stated the date and time of policy cancellation.	V.D	115	115	100.0%
42	215 ILCS 5/149(1)	The Company failed to consistently process cancellation transactions and refunds due to the death of the pet.	V.D	115	11	9.6%
43	215 ILCS 5/149(1)	The Company failed to process cancellation transactions and refunds as requested by policyholders.	V.D	115	11	9.6%
51	215 ILCS 5/143.17(b-5)	The Company failed to comply with their approved policy filing. The Company failed to send notification to the consumer timely for a policy renewal included in the cancellation sample file.	V.D	115	25	21.7%
53	215 ILCS 5/149(1)	The Company failed to include required exclusionary wording when issuing policies.	V.D	115	10	8.7%
30	215 ILCS 5/143.15	The Company failed to timely send sufficient cancellation notice to the policyholder.	V.D	116	1	0.9%
31	215 ILCS 5/143.12a	The Company failed to calculate the premium refund amount accurately or provide the full refund to the policyholder timely.	V.D	116	2	1.7%
45	215 ILCS 5/143.15	The Company failed to send a cancellation notice timely.	V.D	116	1	0.9%
116	215 ILCS 5/143.15	The Company failed to send a cancellation notice timely.	V.D	116	12	9.7%

Table of Violations						
Criticism	Statute/ Rule	Description of Violation	Section	Sample	Violations	Error %
36	215 ILCS 5/429	The Company included incorrect cancellation effective dates and/or times in the cancellation notice sent to the insured.	V.D	86	20	23.3%
37	215 ILCS 5/143.10	The Company cancelled a policy on the sole basis that the policyholder's prior policy was cancelled by an insurer.	V.D	86	3	3.5%
114	215 ILCS 5/143.15	The Company did not send a cancellation notice with sufficient cancellation notice.	V.D	86	3	3.5%
56	215 ILCS 5/143.17(a)	The Company failed to maintain its intention to non-renew on a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service.	V.D	84	84	100.0%
55	215 ILCS 5/143.17(a)	The Company failed to maintain its intention to non-renew on a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service.	V.D	34	34	100.0%
46	215 ILCS 5/143.10	The Company declined applications on the sole basis that the applicant's prior policy was cancelled by an insurer.	V.D	116	6	5.2%
14	215 ILCS 5/143.10	The Company refused to issue a policy on the sole basis that the applicant for the policy was previously cancelled or refused insurance by a prior insurance company.	V.E	116	116	100.0%
41	50 Ill. Adm. Code 754.10	The Company was in violation for using a roof age credit on a Renters policy that was not filed with the DOI.	V.E	116	116	100.0%
57	50 Ill. Adm. Code 754.10	The Company failed to issue policies with rates approved by the Department.	V.E	116	5	4.0%
58	215 ILCS 5/143.17(a)	The Company failed to maintain its intention to non-renew on a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service.	V.E	116	1	0.9%
64	50 Ill. Adm. Code 754.10	The Company failed to issue policies with rates approved by the Department.	V.E	116	116	100.0%
67	215 ILCS 5/132(2)	The Company failed to provide the requested documentation or a detailed explanation of the reason for not providing the information.	V.E	116	5	4.0%
68	50 Ill. Adm. Code 753.10(a)(1)	The Company failed to issue policies with forms approved by the Department.	V.E	116	1	0.9%
3	50 Ill. Adm. Code 754.50(c)(3)	The Tier Determination method used by the Company effective 11/3/2021 was not filed with the Department.	V.E	N/A	1	N/A
15	215 ILCS 5/143.10	The Company cancelled policies on the sole basis that the Company previously cancelled a prior policy it had issued to the policyholder.	V.E	116	2	1.7%

Table of Violations						
Criticism	Statute/ Rule	Description of Violation	Section	Sample	Violations	Error %
27	215 ILCS 5/143.19(a)	The Company cancelled a policy on the sole basis of claim frequency.	V.E	116	1	0.9%
112	215 ILCS 5/143.10	The Company cancelled or refused to issue or renew a policy on the sole basis that the insured or applicant was previously refused issuance or renewal of a policy or if policy was cancelled on a prior date by any insurer.	V.E	116	1	0.9%
28	50 Ill. Adm. Code 754.10	The Company's policy renewal premium calculation was incorrect based on the use of unfiled rates.	V.E	116	116	100.0%
29	215 ILCS 5/423 215 ILCS 5/149(1)	The Company failed to issue or modify coverage accurately.	V.E	116	51	44.0%
113	215 ILCS 5/149(1)	The Company failed to issue or modify coverage accurately.	V.E	116	116	100.0%
16	215 ILCS 5/143.10	The Company incorrectly considered applicants who had been declined, cancelled or non-renewed by any insurance carrier for any reason to be uninsurable.	V.E	N/A	1	N/A
22	215 ILCS 5/1005(A)(2)	The Company failed to provide a Notice of Information Practice to the policyholder upon policy renewal.	V.E	116	2	1.7%
44	215 ILCS 5/149(1)	The Company engaged in unfair methods of competition and practices by charging an inaccurate premium.	V.E	116	116	100.0%
80	215 ILCS 5/154.6(i)	The Company failed to affirm or deny coverage of claims within a reasonable time after proof of loss statements had been completed.	V.F	107	5	4.7%
122	50 Ill. Adm. Code 919.50(a)	The Company failed to make payment within 30 days of affirmation of liability.	V.F	107	7	6.5%
83	50 Ill. Adm. Code 919.80(d)(7)(A)	The Company failed to make claim payments within 40 calendar days after notification of loss.	V.F	107	11	10.3%
123	50 Ill. Adm. Code 919.80(d)(7)(B)	The Company failed to provide the Insured a written explanation for delay containing the Notice of Availability when a claim remains unresolved for 75 days from the date of report, or 25 calendar days after receipt of proof of loss.	V.F	107	9	8.4%
87	215 ILCS 5/154.6(c)	The Company failed to adopt and implement reasonable standards for the prompt investigations and settlement of claims arising under its policies.	V.F	107	10	9.3%
92	50 Ill. Adm. Code 919.30(c)	The Company failed to maintain documentation to permit the reconstruction of the Company's activities relative to each claim file.	V.F	107	4	3.7%
93	50 Ill. Adm. Code 919.50(a)(2)	The Company failed to provide a reasonable explanation for the basis of the denial within 30 calendar days after the liability determination was made	V.F	107	2	1.9%

Table of Violations						
Criticism	Statute/ Rule	Description of Violation	Section	Sample	Violations	Error %
94	50 Ill. Adm. Code 919.90(c)	The Company advised a liability claimant to seek coverage under their own policy in a case where liability was reasonably clear.	V.F	107	1	0.9%
59	50 Ill. Adm. Code 919.80(c)	The Company failed to provide sufficient evidence that the Exhibit A Total Loss letter was provided to the insured.	V.F	76	1	1.3%
61	215 ILCS 5/143.19(a)	The Company cancelled a policy on the sole basis of claim payment activity.	V.F	76	1	1.3%
62	50 Ill. Adm. Code 919.60(a)	The Company performed an improper claims practice by including the term “final” on a payment letter to the insured.	V.F	76	1	1.3%
103	50 Ill. Adm. Code 919.80(b)(2)	The Company did not provide the insured a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance.	V.F	76	19	25.0%
127	50 Ill. Adm. Code 919.80(b)(3)	The Company did not provide the third-party claimant a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance.	V.F	76	3	3.9%
77	50 Ill. Adm. Code 919.50(a)(1)	The Company failed to provide the “Notice of Availability of the Department of Insurance” with the denial letter.	V.F	109	9	8.3%
78	215 ILCS 5/154.6(a) 215 ILCS 5/423	The Company failed to represent to claimants and insureds relevant facts or policy provisions relating to coverages at issue. The Company failed to provide accurate explanations to the claimants concerning the reason for the partial denial of the claim or to accurately identify the item claimed or the amount claimed or paid in the approval email sent to the claimant.	V.F	109	23	21.1%
85	215 ILCS 5/154.6(c)	The Company failed to thoroughly investigate the claim, resulting in the overpayment or underpayment of claim proceeds to the claimant, and/or failed to address or investigate all of the items included on the invoice submitted by the claimant for the claim.	V.F	109	35	32.1%
90	50 Ill. Adm. Code 919.50(a)(1)	The Company failed to provide the “Notice of Availability of the Department of Insurance” with the denial letter.	V.F	109	22	20.2%
69	50 Ill. Adm. Code 919.50(a)(1)	The Company failed to provide the “Notice of Availability of the Department of Insurance” that shall accompany the explanation for denial or closure of the claims.	V.F	107	17	15.9%
119	50 Ill. Adm. Code 919.50 215 ILCS 5/154.6(i)	The Company failed to affirm or deny liability on claims within a reasonable time.	V.F	107	12	11.2%
73	50 Ill. Adm. Code 919.50(a)(2)	The Company failed to provide the third-party with a written explanation of the claim denial.	V.F	82	2	2.4%

Table of Violations						
Criticism	Statute/ Rule	Description of Violation	Section	Sample	Violations	Error %
74	50 Ill. Adm. Code 919.80(b)(2)	The Company did not provide the insured a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance.	V.F	82	1	1.2%
120	50 Ill. Adm. Code 919.80(b)(3)	The Company did not provide the insured a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance.	V.F	82	1	1.2%
76	50 Ill. Adm. Code 919.50(a)(1)	The Company failed to provide the “Notice of Availability of the Department of Insurance” with the denial letter.	V.F	82	15	18.3%
95	50 Ill. Adm. Code 919.50(a)(1)	The Company failed to provide the “Notice of Availability of the Department of Insurance” with the denial letter.	V.F	109	14	12.8%
96	215 ILCS 5/154.6(n)	The Company failed to address one or more items included on the invoice, submitted by the claimant in the claims handling process.	V.F	109	5	4.6%
48	215 ILCS 5/155.22	The Company refused to provide insurance solely on the basis of the specific geographic location of the risk sought to be insured.	VI.A	56	1	1.8%
117	215 ILCS 5/149(1) 215 ILCS 5/423	The Company issued policies with unapproved policy language.	VI.A	1,655	1655	100.0%
25	215 ILCS 5/149(1)	The Company failed to calculate the premium refund amount accurately.	VI.A	115	27	23.5%

II. Background

Lemonade, a wholly owned and operating subsidiary of Lemonade, Inc. (parent), is a private U.S. property and casualty insurance company incorporated on 10/27/2015 and domiciled in the state of New York. In addition to Lemonade, the parent holding company wholly-owns Lemonade Insurance Agency, LLC, an agency licensed in all states where Lemonade writes business; Lemonade Ltd., an Israeli company which provides technology, research and development, management, and other services to Lemonade; Lemonade Life Insurance Agency, LLC, a company involved with the sale and service of life insurance products; Lemonade E&S Insurance Agency, LLC, a licensed excess and surplus lines broker; Lemonade Insurance N.V., Lemonade B.V., Lemonade Agency B.V., and Lemonade Tech B.V., all Netherlands limited liability companies; and Lemonade Re SPC, a Caymen Islands entity licensed to underwrite risks assumed from related parties. On 7/28/2022, the parent acquired the following Metromile entities: Metromile, LLC, Metromile Operating Company, Metromile Insurance Company, Metromile Insurance Services LLC, and Metromile Enterprise Solutions, LLC.

Lemonade’s officers and senior staff are dual employees provided by the parent, are appointed by Lemonade’s board of directors, and receive no compensation from Lemonade.

Lemonade’s product offerings include homeowners, renters, condo owners, auto, pet, and term life insurance. On 1/22/2024, rating agency Demotech assigned Lemonade a financial strength rating of “A” Exceptional. Lemonade is licensed to write property and casualty insurance in over 40 states and the District of Columbia.

Lemonade doesn’t underwrite its own life insurance policies but instead acts as a sub-agent for Bestow Insurance®. Bestow is a broker that offers policies issued by North American Company for Life and Health. North American holds an A+ financial strength rating with AM Best.

Since it’s a newer company, Lemonade’s term life insurance coverage is available in every state except New York.

As of 12/31/2021, the Company wrote the following premiums in the state of Illinois for the lines of insurance included in the examination:

Line of Business	Direct Premiums Written	Direct Premiums Earned	Direct Unearned Premium	Direct Losses Paid	Direct Losses Incurred	Direct Losses Unpaid
Homeowners Multiple Peril	\$12,256,606	\$10,563,205	\$6,560,308	\$4,844,715	\$7,034,247	\$3,627,387
Inland Marine	\$3,152,072	\$1,943,079	\$1,763,551	\$1,097,852	\$1,375,443	\$342,846
Other private passenger auto liability	\$210,615	\$30,481	\$180,134	\$8,031	\$44,417	\$36,386
Private passenger auto physical damage	\$122,214	\$17,558	\$104,656	\$6,886	\$14,046	\$7,160

As of 9/30/2022, the Company wrote the following premiums in the state of Illinois for all lines of insurance:

State	Direct Premiums Written	Direct Losses Paid	Direct Losses Unpaid
Illinois	\$19,035,704	\$9,344,827	\$6,208,577

III. Methodology

The market conduct examination places emphasis on an insurer's systems, procedures and guidelines used in dealing with insureds and claimants. The examination period under review was January 1, 2021, through September 30, 2022 (Examination Period).

The following categories were the areas examined:

- A. Operations and Management
- B. Complaint Handling
- C. Marketing and Sales
- D. Risk Selection
- E. Underwriting and Rating
- F. Claims

The review of these categories was accomplished through examination of individual policies and claim files, the Company's procedures, written interrogatories, and interviews with the Company's personnel. Each category was examined for compliance with Illinois Department of Insurance ("DOI") rules and regulations, and applicable state laws.

Criticisms were provided to the Company addressing violations discovered in the review of processes or sample files. All valid criticisms were incorporated into this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from data provided by the Company. The sample size was based on the most recent NAIC Market Regulation Handbook. Random samples were generated using Galvanize Analytics ("Galvanize") software and the selected samples were provided to the Company for retrieval.

A. Operations and Management

The Company's policies and procedures were reviewed to evaluate compliance with applicable state laws and the Company's own guidelines.

B. Complaint Handling

Homeowner, Automobile and Pet DOI Complaints and Consumer Complaints for the period from January 1, 2021, through September 30, 2022, were reviewed for compliance with applicable state laws and the Company's own guidelines.

DOI Complaints – The population request for this category consisted of Homeowner, Automobile and Pet complaints received by the DOI during the Examination Period. The Company's complaint registry was reconciled with the individual file information and the DOI's records to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Consumer Complaints – The Homeowner, Automobile and Pet populations requested for this category consisted of complaints received directly by the Company from consumers during the Examination Period. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

C. Marketing and Sales

Marketing and sales materials were reviewed to evaluate the representations made by the Company about its products or services and for compliance with applicable state laws and the Company's own guidelines.

D. Risk Selection

Homeowner, Automobile and Pet cancellations, declinations, nonrenewals and rescissions were reviewed for compliance with applicable state laws, the Company's guidelines, and to ensure reasons for termination were valid and not unfairly discriminatory. The nonrenewal population was reconciled to the 2021 NAIC Market Conduct Annual Statement ("MCAS") to determine whether the population was complete and accurate.

The Examiners attempted to reconcile the cancellation population to the 2021 MCAS to determine whether the populations were complete and accurate. However, the Examiners were unable to reconcile the homeowner and automobile data to the MCAS filing as there were errors identified in the Company's homeowner, automobile and pet cancellation data. The Examiners requested that the Company provide written Attestations that the cancellation data was complete and accurate.

Random samples were selected based on transactions occurring during the Examination Period.

E. Underwriting and Rating

The underwriting samples consisted of Homeowner, Automobile and Pet new and renewal business. The Examiners attempted to reconcile the Homeowner and Automobile new and renewal business populations to the 2021 MCAS to determine whether the populations were complete and accurate. However, the Examiners were unable to reconcile the homeowner and automobile data to the MCAS filing as there were errors identified in the Company's homeowner, automobile and pet cancellation data. The Examiners requested that the Company provide a written Attestation that the new business and renewal data was complete and accurate.

The new business and renewal samples were randomly selected based on the inception date occurring during the Examination Period. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and for compliance with applicable state laws and the Company's guidelines.

F. Claims

Homeowner, Automobile and Pet claims were selected based on settlement occurring within the Examination Period. The Examiners attempted to reconcile the Homeowner and Automobile claim populations to the 2021 MCAS to determine whether the populations were complete and accurate. However, the Examiners were unable to reconcile the homeowner and automobile data as there were errors identified in the Company's homeowner and automobile claims with payment ("CWP) and claims without payment ("CWOP") data. The Examiners requested that the Company provide written Attestations that the homeowner, automobile and pet claims with payment and claims without payment data were complete and accurate.

Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code.

For each line of insurance, separate samples were developed for both CWP and CWOP.

IV. Selection of Samples

Complaint Handling	Sample Size	Percent Reviewed
DOI Complaints	14	100.00%
Consumer Complaints - HO	84	31.11%
Consumer Complaints - PPA	15	100.00%
Consumer Complaints - PET	56	100.00%
Risk Selection	Sample Size	Percent Reviewed
Cancellations – HO	116	0.18%
Cancellations – PPA	114	8.96%
Cancellations – PET	115	3.67%
Rescissions – HO	116	1.51%
Rescissions – PPA	86	20.24%
Rescissions – PET	113	15.56%
Nonrenewals – HO	84	28.57%
Nonrenewals – PPA	34	100.00%
Declinations – HO	116	0.62%
Declinations – PPA	116	0.64%
Declinations – PET	116	1.33%
Underwriting and Rating	Sample Size	Percent Reviewed
New Business & Renewals – HO	116	0.06%
New Business & Renewals – PPA	116	1.74%
New Business & Renewals – PET	116	0.64%
Claims	Sample Size	Percent Reviewed
Closed With Payment – HO	107	7.06%
Closed With Payment – PPA	76	43.18%
Closed With Payment – PET	109	0.80%
Closed Without Payment – HO	107	6.70%
Closed Without Payment – PPA	82	35.97%
Closed Without Payment – PET	109	1.42%

V. Findings

A. Operations and Management

1. MGA Requirements Not Met

- a. Criticism #1 - Lemonade Insurance Agency, LLC acted as the Company's managing general agent without first obtaining the required license. 215 ILCS 5/141a(b)(1).
- b. Criticism #104 - Lemonade Insurance Agency LLC failed to place an executed contract with the Company that met all Code requirements prior to placing business with the Company. 215 ILCS 5/141a(c).

2. Credit

- a. No violations were noted.

B. Complaint Handling

1. DOI Complaints

- a. Criticism #4 - In 4 files (28.6% of 14 examined), the Company failed to respond to a complaint within 21 calendar days or by the stated due date. 50 Ill. Adm. Code 926.40.
- b. Criticism #5 - In 3 files (21.4% of 14 examined), the Company failed to maintain accurate complaint records. 50 Ill. Adm. Code 926.50.
- c. Criticism #6 - In 2 files (14.3% of 14 examined), the Company failed to attempt in good faith to effectuate prompt, fair, and equitable settlement of claims in which liability has become reasonably clear, thereby constituting an unfair practice. 215 ILCS 5/154.6(c) and (d).

2. Consumer Complaints-HO

- a. Criticism #8 - In 8 files (9.5% of 84 examined), the Company failed to maintain accurate complaint records. 50 Ill. Adm. Code 926.50.
- b. Criticism #105 - In 84 files (100% of 84 examined), the Company maintained records did not include the minimum information as outlined in Exhibit A and as defined in Exhibit B. 50 Ill. Adm. Code 926.50.
- c. Criticism #9 - In 3 files (3.6% of 84 examined), the Company failed to pay the claim amount due within 30 days after affirmation of liability. 50 Ill. Adm. Code 919.50.
- d. Criticism #10 - In 6 files (7.1% of 84 examined), the Company failed to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies. 215 ILCS 5/154.6(b).
- e. Criticism #106 - In 7 files (8.3% of 84 examined), the Company failed to attempt in good faith to effectuate prompt, fair, and equitable settlement of claims in which liability has become reasonably clear, thereby constituting an unfair practice. 215 ILCS 5/154.6(c).
- f. Criticism #107 - In 6 files (7.1% of 84 examined), the Company failed to attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear. 215 ILCS 5/154.6(d).
- g. Criticism #50 - In 84 files, the Company misapplied a rating edition. 50 Ill. Adm. Code 754.10.

3. Consumer Complaints- PPA
 - a. Criticism #11 - In 2 files (13.3% of 15 examined), the Company failed to maintain accurate complaint records. 50 Ill. Adm. Code 926.50.
 - b. Criticism #108 - In 15 files (100% of 15 examined), the Company maintained records did not include the minimum information as outlined in Exhibit A and as defined in Exhibit B. 50 Ill. Adm. Code 926.50.
 - c. Criticism #12 - In 1 file (6.7% of 15 examined), the Company failed to mail a cancellation notice at least 30 days prior to the cancellation effective date. 215 ILCS 5/143.15.

4. Consumer Complaints-Pet
 - a. Criticism #20 - In 25 files (44.6% of 56 examined), the Company failed to maintain accurate complaint records. 50 Ill. Adm. Code 926.50.
 - b. Criticism #110 - In 56 files (100% of 56 examined), the Company maintained records did not include the minimum information as outlined in Exhibit A and as defined in Exhibit B. 50 Ill. Adm. Code 926.50.
 - c. Criticism #21 - In 4 files (7.1% of 56 examined), the Company misinformed pet insurance policy holders that rates were filed with the DOI and provided an inadequate and inaccurate response to the consumer. 215 ILCS 5/429 and 50 Ill. Adm. Code 926.40(b).
 - d. Criticism #54 - In 3 files (5.4% of 56 examined), the Company did not comply with their approved policy filing. By not complying with the terms and conditions of the policy and/or the “Illinois Specific Notices and Clarification” policy addendum, which were filed with and approved by the Department. 215 ILCS 5/143.17(b-5).

C. Marketing and Sales

1. Company-generated Marketing
 - a. No violations were noted.

2. Producer Training Materials
 - a. No violations were noted.

D. Risk Selection

1. Company-Initiated Cancellations and Nonrenewals (HO, PPA, and Pet)
 - a. No violations were noted.

2. HO Cancellations
 - a. Criticism #17 - In 116 files, the Company incorrectly handled insured requested and company-initiated cancellations. The Company cancelled policies one day later than the cancellation date requested by the policyholder. 215 ILCS 5/143.14(a).
 - b. Criticism #63 - In 2 files (1.7% of 116 examined), the Company failed to calculate the premium refund amount accurately or provide the refund to the policyholder within 30 days of the cancellation notice/request. 50 Ill. Adm. Code 754.10

3. PPA Cancellations

- a. Criticism #38a - The Company's Underwriting Guidelines for Private Passenger Auto Policies included a policy to review a policy with a claim within the first 59 days of inception for consideration of continued coverage. 215 ILCS 5.143.19(a).
- b. Criticism #18 - 114 files, the Company incorrectly handled insured requested and company-initiated cancellations. The Company cancelled policies one day later than the cancellation date requested by the policyholder. 215 ILCS 5/143.14(a).
- c. Criticism #19 - In 114 files, the Company failed to send a cancellation notice to the lienholder. 215 ILCS 5/143.14.
- d. Criticism #32 - In 3 files (2.6% of 114 examined), the Company failed to calculate the refund of unearned premium accurately nor provided the refund timely. 215 ILCS 5/143.12a(a) and 215 ILCS 5/143.12a(b).
- e. Criticism #33 - In 2 files (1.8% of 114 examined), the Company failed to notify the insured of the right to appeal. 215 ILCS 5/143.23.
- f. Criticism #34 - In 2 files (1.8% of 114 examined), the Company failed to notify the insured of possible eligibility of coverage through the Illinois Automobile Insurance Plan. 215 ILCS 5/143.20.
- g. Criticism #38b - In 2 files (1.8% of 114 examined), the Company used Prohibited Underwriting Guideline as the Company cancelled a policy on the sole basis of payment of a claim or claims against the policy. 215 ILCS 5.143.19(a).
- h. Criticism #39 - In 1 file (0.9% of 114 examined), the Company cancelled a policy on the sole basis that the policyholder's prior policy was cancelled by an insurer. 215 ILCS 5.143.10.

4. Pet Cancellations

- a. Criticism #40 - In 5 files (4.3% of 115 examined), the Company incorrectly informed the policyholders of the date and time of the policy cancellation. 215 ILCS 5/143.14(a).
- b. Criticism #115 - In 115 files, the Company incorrectly stated the date and time of the policy cancellation. 215 ILCS 5/143.14(a).
- c. Criticism #42 - In 11 files (9.6% of 115 examined), the Company failed to consistently process cancellation transactions and refunds due to the death of the covered pet to be effective at 12:01am on the date after the death, thereby is an unfair or deceptive act or practice. 215 ILCS 5/149(1).
- d. Criticism #43 - In 11 files (9.6% of 115 examined), the Company failed to process cancellation transactions and refunds to be effective at 12:01am on the date after the consumer request is received, thereby is an unfair or deceptive act or practice. 215 ILCS 5/149(1).
- e. Criticism #51 - In 25 files (21.7% of 115 examined), the Company failed to comply with their approved policy filing. Not complying with the terms and conditions of the policy and or the "Illinois Specific Notices and Clarification" policy addendum, which were filed with and approved by the Department. 215 ILCS 5/143.17(b-5).
- f. Criticism #53 - In 10 files (8.7% of 115 examined), the Company failed to include required exclusionary wording when issuing pet health insurance policies, which is an unfair or deceptive act or practice. 215 ILCS 5/149(1).

5. HO Rescissions
 - a. Criticism #30 - In 1 file (0.9% of 116 examined), the Company failed to mail a cancellation notice with sufficient notice prior to the cancellation effective date. 215 ILCS 5/143.15.
 - b. Criticism #31 - In 2 files (1.7% of 116 examined), the Company failed to calculate the refund of unearned premium accurately nor provide the refund timely. 215 ILCS 5/143.12a.
 - c. Criticism #45 - In 1 file (0.9% of 116 examined), the Company failed to timely send sufficient cancellation notice to the policyholder. 215 ILCS 5/143.15.
 - d. Criticism #116 - In 12 files (10.3% of 116 examined), the Company failed to timely send sufficient cancellation notice to the policyholder. 215 ILCS 5/143.15.

6. PPA Rescissions
 - a. Criticism #36 - In 20 files (23.3% of 86 examined), the Company communicated the date of cancellation to the policyholder which was prior to the policy's effective date. 215 ILCS 5/429.
 - b. Criticism #37 - In 3 files (3.5% of 86 examined), the Company cancelled a policy on the sole basis that the policyholder's prior policy was cancelled by an insurer. The Company is required by Illinois Insurance Code to not cancel or refuse to issue or renew a policy on the sole basis that the insured or applicant was previously refused issuance or renewal of a policy or if policy was cancelled on a prior date by any insurer. 215 ILCS 5.143.10.
 - c. Criticism #114 - In 3 files (3.5% of 86 examined), the Company failed to send a cancellation notice with sufficient cancellation notice. The Company is required by the Illinois Insurance Code to mail a cancellation notice to the policyholder at least 30 days prior to the effective date of the cancellation. 215 ILCS 5/143.15.

7. Pet Recissions
 - a. No violations were noted.

8. HO Nonrenewals
 - a. Criticism #56 - In 84 files (100% of 84 examined), the Company sent its intention to non-renew to the named insured by email. Not mailing the notice of nonrenewal to the insured and maintaining proof of such mailing on a form recognized by the U.S. Post Office or other commercial mail delivery services. 215 ILCS 5/143.17(a).

9. PPA Nonrenewals
 - a. Criticism #55 - In 34 files (100% of 34 examined), the Company sent its intention to non-renew to the named insured by email. Not mailing the notice of nonrenewal to the insured and maintaining proof of such mailing on a form recognized by the U.S. Post Office or other commercial mail delivery services. 215 ILCS 5/143.17(a).

10. Homeowner Declinations
 - a. Criticism #46 - In 6 files (5.2% of 116 examined), the Company declined a policy on the sole basis that the policyholder's prior policy was cancelled by an insurer. 215 ILCS 5.143.10.

11. PPA Declinations
 - a. No violations were noted.

12. Pet Declinations
 - a. No violations were noted.

- E. Underwriting and Rating
 1. Applicable to All Lines of Business
 - a. No violations were noted.

 2. New Business and Renewals-HO
 - a. Criticism #14 - In 116 files, the Company violated UW guidelines. Underwriting Guidelines state the following, "Risks are eligible only if: Applicant has never been declined, cancelled or non-renewed by any insurance carrier, including Lemonade Insurance Company for any reason." 215 ILCS 5/143.10
 - b. Criticism #41 - In 116 files, the Company applied the roof age credit in error. Lemonade had a system bug that mistakenly applied an incorrect age of roof factor, corresponding to an age 0 aged roof, to multiple HO-4 policies. 50 Ill. Adm. Code 754.10.
 - c. Criticism #57 - In 5 files (4.0% of 116 examined), the Company used a Number of Bathrooms rating factor on a Homeowners policy that was not filed with the DOI. 50 Ill. Adm. Code 754.10
 - d. Criticism #58 - In 1 file (0.9% of 116 examined), the Company failed to mail a non-renewal notice via USPS at least 30 days prior to non-renewing the policy. 215 ILCS 5/143.17(a).
 - e. Criticism #64 - In 116 files, the Company used a Loss Cost Modification Factor when rating Renter's policies that was not filed with the DOI. 50 Ill. Adm. Code 754.10
 - f. Criticism #67 - In 5 files (4.0% of 116 examined), the Company failed to respond to a request for documentation that described the nature of the rental occupancy in detail and show whether the occupancy was commercial or residential and that the Company had knowledge of the nature of the rental occupancy when the policy was initially issued on the condominium. 215 ILCS 5/132 (2).
 - g. Criticism #68 - In 1 file (0.9% of 116 examined), the Company used an unfiled form. 50 Ill. Adm. Code 753.10.(a)(1).

 3. New Business and Renewals-PPA
 - a. Criticism #3 - The Company used the incorrect rate filing (Tier Determination). 50 Ill. Adm. Code 754.50(c)(3).
 - b. Criticism #15 - In 2 files (1.7% of 116 examined), the Company Underwriting Guidelines state the following, "To be eligible for coverage, the applicant has never been declined, cancelled or non-renewed by any Car insurance carrier, including Lemonade Insurance Company for any reason." 215 ILCS 5/143.10.
 - c. Criticism #27 - In 1 file (0.9% of 116 examined), the Company cancelled a policy on the sole basis of claim activity. 215 ILCS 5/143.19(a).
 - d. Criticism #112 - In 1 file (0.9% of 116 examined), the Company cancelled a policy on the sole basis that the policyholder's prior policy was cancelled by an insurer. 215 ILCS 5.143.10.

- e. Criticism #28 - In 116 files, the Company renewed policies with an incorrect premium amount due to a system bug that caused the telematics score to be factored incorrectly. This is an unfair and deceptive act. 50 Ill. Adm. Code 754.10.
 - f. Criticism #29 - In 51 files (44.0% of 116 examined), the Company did not issue or modify coverage accurately and/or adequately. The Company is required by the Illinois Insurance Code to issue or renew policies, contracts, riders, amendments, and endorsements accurately, timely and completely. Failing to issue or modify coverage accurately is an unfair or deceptive act or practice that violates 215 ILCS 5/423. In addition, misrepresenting the terms of the policy violated 215 ILCS 5/149.
 - g. Criticism #113 - In 116 files, the Company had a time zone system bug, which caused policies to have effective, renewal, and expiration dates with a time difference within 1 day. The Company is required by the Illinois Insurance Code to issue or renew policies, contracts, riders, amendments, and endorsements accurately, timely and completely. 215 ILCS 5/149
4. New Business and Renewals-Pet
- a. Criticism #16 - The Company UW guidelines state the following, "Applicants have never been declined, cancelled or non-renewed by any insurance carrier for any reason." 215 ILCS 5/143.10
 - b. Criticism #22 - In 2 files (1.7% of 116 examined), the Company failed to provide a timely information practice notice. 215 ILCS 5/1005(A)(2)
 - c. Criticism #44 - In 116 files, the Company charged an inaccurate premium amount due to a rating error that was applied when the policyholder moved to a new Illinois address. Failure to apply correct ratings. 215 ILCS 5/149(1).

F. Claims

1. Closed With Payments-HO
- a. Criticism #80 - In 5 files (4.7% of 107 examined), when liability was reasonably clear, the Company either failed to affirm or deny coverage of claims within a reasonable time after proof of loss statement were completed. 215 ILCS 5/154.6(i).
 - b. Criticism #122 - In 7 files (6.5% of 107 examined), when liability was reasonably clear, the Company either failed to affirm or deny liability within 30 calendar days, failed to offer payment or make payment within 30 days of affirmation of liability. 215 ILCS 5/154.6(i) and 50 Ill. Adm. Code 919.50(a).
 - c. Criticism #83 - In 11 files (10.3% of 107 examined), the Company failed to make claim payments within 40 calendar days after notification of loss which constitutes an unreasonable delay. 50 Ill. Adm. Code 919.80(d)(7)(A).
 - d. Criticism #123 - In 9 files (8.4% of 107 examined), the Company failed to provide the Insured a written explanation for delay containing the Notice of Availability when a claim remains unresolved for 75 days from the date of report, or 25 calendar days after receipt of proof of loss. 50 Ill. Adm. Code 919.80(d)(7)(B).
 - e. Criticism #87 - In 10 files (9.3% of 107 examined), the Company failed to adopt and implement reasonable standards for the prompt investigations and settlement of claims arising under its policies. 215 ILCS 5/154.6(c).

- f. Criticism #92 - In 4 files (3.7% of 107 examined), the Company failed to maintain documentation to permit the reconstruction of the Company's activities relative to each claim file. 50 Ill. Adm. Code 919.30(c).
 - g. Criticism #93 - In 2 files (1.9 % of 107 examined), the Company failed to provide a reasonable explanation for the basis of the denial within 30 calendar days after the liability determination was made. 50 Ill. Adm. Code 919.50(a)(2).
 - h. Criticism #94 - In 1 file (0.9% of 107 examined), the Company advised a liability claimant to seek coverage under their own policy in a case where liability was reasonably clear. 50 Ill. Adm. Code 919.90(c).
2. Closed With Payment-PPA
- a. Criticism #59 - In 1 file (1.3% of 76 examined), the Company was unable to produce sufficient documentation to support that the Exhibit A Total Loss Letter was provided to the insured within 7 days of the total loss determination. 50 Ill. Adm. Code 919.80(c).
 - b. Criticism #61 - In 1 file (1.3% of 76 examined), the Company cancelled a policy on the sole basis of claim frequency. The Company is prohibited from cancelling a policy on the sole basis of a claim payment or claims made against such policy. 215 ILCS 5/143.19(a).
 - c. Criticism #62 - In 1 file (1.3% of 76 examined), the Company performed an improper claims practice by including the term "final" on a payment letter to the insured. 50 Ill. Adm. Code 919.60(a).
 - d. Criticism #103 - In 19 files (25.0% of 76 examined), the Company did not provide the insured a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance. 50 Ill. Adm. Code 919.80(b)(2).
 - e. Criticism #127 - In 3 files (3.9% of 76 examined), the Company did not provide the third-party claimant a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance. 50 Ill. Adm. Code 919.80(b)(3).
3. Closed With Payments-Pet
- a. Criticism #77 - In 9 files (8.3% of 109 examined), the "Notice of Availability of the Department of Insurance," did not accompany the claim approval email where the settlement was less than the claim amount submitted. 50 Ill. Adm. Code 919.50(a)(1).
 - b. Criticism #78 - In 23 files (21.1% of 109 examined), the Company failed to provide an accurate explanation to the claimant concerning the reason for the partial denial of the claim or to accurately identify the item claimed or the amount claimed or paid in the approval email sent to the claimant, thereby misrepresented the reason for the partial denial or the item or amount claimed or paid. 215 ILCS 5/154.6(a) and 215 ILCS 5/423.
 - c. Criticism #85 - In 35 files (32.1% of 109 examined), the Company failed to thoroughly investigate the claim, resulting in the overpayment or underpayment of claim proceeds to the claimant, and/or failed to address or investigate all of the items included on the invoice submitted by the claimant for the claim. 215 ILCS 5/154.6(c).
 - d. Criticism #90 - In 22 files (20.2% of 109 examined), the "Notice of Availability of the Department of Insurance," as defined in 50 Ill. Adm. Code 919.40, did not accompany the claim approval email when the claim payment was less than the claim amount submitted. 50 Ill. Adm. Code 919.50(a)(1).

4. Closed Without Payments-HO
 - a. Criticism #69 - In 17 files (15.9% of 107 examined), the Company failed to provide the “Notice of Availability of the Department of Insurance” with the denial or closure of the claim. 50 Ill. Adm. Code 919.50(a)(1).
 - b. Criticism #119 - In 12 files (11.2% of 107 examined), the Company failed to affirm or deny liability on claims within a reasonable time. 50 Ill. Adm. Code 919.50 and 215 ILCS 5/154.6(i).

5. Closed Without Payment-PPA
 - a. Criticism #73 - In 2 files (2.4% of 82 examined), the Company was unable to provide documentation to support that written notice of the claim denial was provided to the third-party claimant or claimant’s representative. 50 Ill. Adm. Code 919.50(a)(2).
 - b. Criticism #74 - In 1 file (1.2% of 82 examined), the Company did not provide the insured a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance. 50 Ill. Adm. Code 919.80(b)(2).
 - c. Criticism #120 - In 1 file (1.2% of 82 examined), the Company did not provide the third-party claimant a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance. 50 Ill. Adm. Code 919.80(b)(3).
 - d. Criticism #76 - In 15 files (18.3% of 82 examined), the “Notice of Availability of the Department of Insurance,” as defined in 50 Ill. Adm. Code 919.40, did not accompany the claim denial letter. 50 Ill. Adm. Code 919.50(a)(1).

6. Closed Without Payments-Pet
 - a. Criticism #95 - In 14 files (12.8% of 109 examined), the “Notice of Availability of the Department of Insurance,” as defined in 50 Ill. Adm. Code 919.40, did not accompany the claim approval email when the claim payment was less than the claim amount submitted. 50 Ill. Adm. Code 919.50(a)(1).
 - b. Criticism #96 - In 5 files (4.6% of 109 examined), the Company did not address one or more items included on the invoice submitted by the claimant in the claims handling process. 215 ILCS 5/154.6(n).

VI. Interrelated Findings

A. Interrelated Findings

1. Pet Complaints

- a. Criticism #48 - In 1 file (1.8% of 56 examined), the Company declined to offer a pet health insurance policy solely because the consumer's address was not recognized by Google. Refusing to provide insurance solely based on the specific geographic location of the risk sought is an unfair or deceptive act or practice. 215 ILCS 5/155.22.
- b. Criticism #117 - In 1,655 files, the Company failed to include "exclusionary wording for behavioral condition." This is an unfair or deceptive act or practice. 215 ILCS 5/149(1) and 215 ILCS 5/423.

2. Pet Risk Selection

- a. Criticism #25 - In 27 files (23.5% of 115 examined), the Company failed to calculate the premium refund amount accurately. A Premium refund error was caused by miscalculated conversions from daylight savings time/utc. 215 ILCS 5/149(1).

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Lemonade Insurance Company
5 Crosby Street
New York, NY. 10013

Stipulation and Consent Order

WHEREAS, the Director of the Illinois Department of Insurance (“Department”) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS Lemonade Insurance Company, NAIC 16023, (“the Company”), are authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling, and issuing insurance policies; and

WHEREAS a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of January 1, 2021, through September 30, 2022, which is an official document of the Department; and

WHEREAS the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability, or wrongdoing of any kind whatsoever by the Company; and

WHEREAS the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing, and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS the Company understands and agrees that by entering this Stipulation and Consent Order, they waive all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and to avoid any further administrative action, hereby enter this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall not refuse to issue policies on the sole basis that the applicant for the policy was previously cancelled or refused insurance by a prior insurance company. 215 ILCS 5/143.10
2. Institute and maintain policies and procedures whereby the Company shall send cancellation notices to the policyholder as well as the lienholder. 215 ILCS 5/143.14
3. Institute and maintain policies and procedures whereby the Company shall maintain proof of mailing of cancellation notices on a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service. 215 ILCS 5/143.14(a)
4. Institute and maintain policies and procedures whereby the Company shall not send policyholders cancellation notices via email that incorrectly state the date and time of policy cancellation. 215 ILCS 5/143.14(a)
5. Institute and maintain policies and procedures whereby the Company shall send cancellation notices timely. 215 ILCS 5/143.15
6. Institute and maintain policies and procedures whereby the Company shall maintain its intention to non-renew on a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service. 215 ILCS 5/143.17(a)
7. Institute and maintain policies and procedures whereby the Company shall send notification to the consumer timely for a policy renewal. 215 ILCS 5/143.17(b-5)
8. Institute and maintain policies and procedures whereby the Company shall issue or modify coverage accurately. 215 ILCS 5/149(1), and 215 ILCS 5/423
9. Institute and maintain policies and procedures whereby the Company shall provide accurate explanations to the claimants concerning the reason for the partial denial of the claim or to accurately identify the item claimed or the amount claimed or paid in the approval email sent to the claimant. 215 ILCS 5/154.6(a), and 215 ILCS 5/423
10. Institute and maintain policies and procedures whereby the Company shall acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies. 215 ILCS 5/154.6(b)
11. Institute and maintain policies and procedures whereby the Company shall adopt and implement reasonable standards for the prompt investigations and settlement of claims arising under its policies. 215 ILCS 5/154.6(c)

12. Institute and maintain policies and procedures whereby the Company shall effectuate prompt, fair, and equitable settlement of claims in which liability had become reasonably clear. 215 ILCS 5/154.6(d)
13. Institute and maintain policies and procedures whereby the Company shall provide accurate cancellation effective dates and/or times in the cancellation notice sent to the insured. 215 ILCS 5/429
14. Institute and maintain policies and procedures whereby the Company shall issue policies with rates approved by the Department. 50 Ill. Adm. Code § 754.10
15. Institute and maintain policies and procedures whereby the Company shall affirm or deny liability on claims within a reasonable time. 50 Ill. Adm. Code § 919.50, and 215 ILCS 5/154.6(i)
16. Institute and maintain policies and procedures whereby the Company shall provide the "Notice of Availability of the Department of Insurance" with the denial letter. 50 Ill. Adm. Code § 919.50(a)(1)
17. Institute and maintain policies and procedures whereby the Company shall provide the insured a written explanation of the claim delay along with the Notice of Availability of the Department of Insurance. 50 Ill. Adm. Code § 919.80(b)(2)
18. Institute and maintain policies and procedures whereby the Company shall provide a reasonable written explanation for the delay containing the "Notice of Availability of the Department of Insurance" to the insured when a claim remains unresolved for more than 75 calendar days from the date it is reported, or 25 calendar days after receipt of proof of loss. 50 Ill. Adm. Code § 919.80(d)(7)(B)
19. Institute and maintain policies and procedures whereby the Company shall respond to Department complaints within 21 calendar days, or a date specified by the Department after receiving notification of the complaint. 50 Ill. Adm. Code § 926.40
20. Institute and maintain policies and procedures whereby the Company shall maintain accurate complaint records. 50 Ill. Adm. Code § 926.50
21. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above twenty (20) orders within thirty (30) days of execution of this Order.
22. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$177,500.⁰⁰ to be paid within ten (10) days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of Lemonade Insurance Company,

Scott Fischer

Signature

Scott Fischer

Name

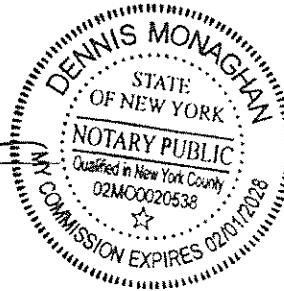
General Counsel

Title

Subscribed and sworn to before me this

25 day of *May*, *2025*

Dennis Monaghan
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

Ann Gillespie

Ann Gillespie
Acting Director

DATE *5/28/2025*

