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CASE STUDY · MARLUC SYNOPSIS

Lemonade

IMPLEMENTED 2016 ONWARDS · FINANCIAL SERVICES AND INSURANCE · US · BAND B · PARTLY PROVED

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A US insurer built around bots for sales and claims. By its account, AI takes 96% of first claim notices and automates about 55% of claims. Loss ratios have improved and losses have narrowed, but it has not made an annual profit since it was founded in 2015.

ABOUT THIS SYNOPSIS

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Facts and figures are as reported by the sources listed below, which may be incomplete, self-reported or out of date. Check the original source before relying on any figure.

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NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

AI-native company: built around AI from the start and attempting transformational change. It claims band A; MarLuc grades it on what is evidenced.

AI used: Chat bots for sales, claims and customer service, with proprietary machine learning models for pricing and fraud detection.

Implemented: 2016 onwards. Grade: band B, Operating model redesign, Partly proved.

Headline result, as reported: About 55% of claims automated and 2.98 million customers with 1,282 staff at the end of 2025, by Lemonade's account; no annual profit yet

1 · The case

The facts, as reported by the 5 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

Lemonade. US insurer selling renters, homeowners, pet and car insurance, with a growing business in Europe. 2,984,513 customers and 1,282 employees at 31 December 2025, 810 of them in the United States, per its annual report. About 3.5 million customers in the third quarter of 2026, per Insurance Journal. Canvas block: 4. Operations and process. Also 1. Strategy and business model, 5. People and skills.

Business challenge

The challenge. Lemonade says it is "rebuilding insurance from the ground up on a digital substrate and an innovative business model". Its stated aim in 2020 was to use technology and social impact to be the world's most loved insurance company.

How it was addressed. Customers buy cover by chatting to a bot, AI Maya, and file claims with another, AI Jim. A further platform, CX.AI, resolves customer requests without human intervention. Lemonade also describes AI models for pricing, customer lifetime value and fraud detection, and an internal bot for repetitive tasks. Claims that AI Jim cannot settle go to staff. In 2021 the company said it has never let AI auto-reject claims and never will. [1] [2] [3] [4] [5]

Who implemented it

In-house (In-house): The company's own platform.

Technology (SEAM pillar E)

SEAM types: T1 Chat assistants, T5 Custom / fine-tuned models, T8 Predictive / ML models. Deployment: Not reported. Vendors and products: AI Maya, AI Jim, CX.AI, Forensic Graph, Blender, Cooper.

Where it was built in: Built into Lemonade's own insurance platform: AI Maya for onboarding and quotes, AI Jim for claims, CX.AI for customer requests, Forensic Graph for fraud detection, and Blender and Cooper as internal tools.

What changed

Before: in 2020, AI Jim managed about a third of claims through to resolution without human involvement, by Lemonade's account. After: at the end of 2025, AI Jim took 96% of first notices of loss, about 55% of claims were automated from start to finish and over half of customer enquiries were handled by CX.AI, by Lemonade's account. Since the third quarter of 2022 it added 1.2 million customers while headcount fell by 6%, per its shareholder letter. [1] [2] [3] [4] [5]

What it cost

Not reported for the AI itself. Lemonade reported net losses of $165.5 million in 2025 and $202.2 million in 2024, and an accumulated deficit of $1,464.3 million.

What it saved

By Lemonade's account: the cost of handling a pet claim fell from $44 in 2021 to $14 in 2025. Gross loss ratio 64% for 2025 against 73% for 2024. Gross profit $293.4 million in 2025 against $166.9 million in 2024. Savings attributable to AI alone: Not reported. [1] [2] [3] [4] [5]

Governance and control

Lemonade said in 2021 that it does not use, and is not trying to build, AI that uses physical or personal features to deny claims, and that it has never let AI auto-reject claims. Its filings list bias in its algorithms and AI used without sufficient oversight as risks. As an insurer it is subject to periodic examinations by state insurance regulators. Accountable owner and how models are reviewed: Not reported.

S2 · Accountable owner · Not reported
Not reported.

A1 · Safe use · Claimed
Lemonade said in 2021 that it does not use, and is not trying to build, AI that uses physical or personal features to deny claims. [4]

A2 · Human in the loop · Claimed
Lemonade says it has never let AI auto-reject claims and never will. [4]

A3 · Monitoring and assurance · Not reported
Not reported; the annual report lists biased or poor quality data and insufficient oversight of AI as risks. [1]

A4 · Vendor AI · Not reported
Lemonade describes its algorithms as proprietary; use of outside AI vendors is not reported. [1]

A5 · Agent controls · Claimed
AI Jim can pay claims without human involvement but AI is not allowed to reject them, by Lemonade's account. [4] [5]

A6 · Standards and regulation · Claimed
Lemonade says it is periodically examined by its primary state insurance regulators, and notes fines of up to 7% of global turnover under the EU AI Act as a risk. [1]

What worked, what did not, what is unproven

WORKED

– Automation of claims intake and simple claims, by Lemonade's account: 96% of first notices and about 55% of claims.

– Growth without matching headcount: 1.2 million customers added since the third quarter of 2022 while headcount fell 6%, per its shareholder letter.

– Underwriting results: the gross loss ratio fell to 64% for 2025 from 73% for 2024.

DID NOT

– Profit. Lemonade's annual report says it has not been profitable since its inception in 2015.

– The third quarter 2026 net loss was about $43.7 million, against about $37.5 million a year earlier, and the nine-month net loss was $122.9 million against $143.8 million, per Insurance Journal.

– In May 2021 Lemonade deleted tweets saying its AI analysed claim videos for signs of fraud and could pick up non-verbal cues. It called the wording poor after criticism that such analysis could be biased, as reported by The Register.

UNPROVEN

– How much of the improvement in loss ratios and costs is due to AI, as distinct from pricing, reinsurance and business mix.

– Whether the model produces a sustained profit; Lemonade expects 2027 to be its first full year of adjusted EBITDA profitability.

– The accuracy and fairness of automated claims decisions: no independent assessment is reported.

Timeline

Jun 2015 Incorporated in Delaware [5]

2016 Launches renters and homeowners insurance late in the year [5]

Jun 2020 Share offering filing says AI Jim manages about a third of claims through to resolution without human involvement [5]

Dec 2025 Year end: AI Jim takes 96% of first notices of loss and about 55% of claims are automated, by Lemonade's account; 1,282 employees [1]

Dec 2025 Fourth quarter: in force premium $1.24 billion, gross loss ratio 52%, net loss $21.7 million [2]

Nov 2026 Reports third quarter 2026: net loss of about $43.7 million, in force premium up 34% to $1.55 billion, about 3.5 million customers; nine-month net loss $122.9 million; says it is on track for a first adjusted EBITDA-positive quarter in the fourth quarter [3]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: A. Grade: B, Operating model redesign. Proof: Partly proved. Level of change: Operating model.

Operating model change (Level 3, band B), claimed as business model change (band A). The company was built with bots at the front of sales and claims and reports a falling headcount against a rising customer count; it has not yet made an annual profit.

Graded B, claimed A. Lemonade was designed around AI for sales, claims and pricing, and its filings show a growing customer base served by a headcount that has not grown with it. It says it is rebuilding insurance from the ground up, but it has not been profitable since 2015, so a transformed business is not yet shown in the results.

The SEAM view and lessons learnt

Lemonade shows what an operating model designed around AI looks like after nine years: bots take the first contact, people take the exceptions, and staff numbers hold while customers grow. The same record shows the limits. Automation rates and unit costs are the company's own measures, and the accounts still show losses. For a larger organisation, the transferable points are to keep people on refusals and exceptions, and to describe the AI precisely in public.

1. Design the process so AI takes first contact and people take refusals and exceptions.
2. Report automation alongside loss ratios, cost per case and profit, so the effect can be tested.
3. Describe publicly what the AI does and does not do, in exact terms.

Evidence

Score 2 of 4. Self-reported in regulatory filings: financial results and headcount are in filings with the US Securities and Exchange Commission; the automation figures are Lemonade's own and are not independently verified.

Evaluation method. Self-reported company figures: SEC filings and shareholder letters; operating figures on AI are not independently verified.

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/lemonade

[1] US Securities and Exchange Commission: Lemonade, Inc. Form 10-K for 2025
https://www.sec.gov/Archives/edgar/data/1691421/000169142126000016/lmnd-20251231.htm

[2] Lemonade: Shareholder Letter Q4 2025
https://www.lemonade.com/investor-relations-bo/wp-content/uploads/docs/LMND-Shareholder-Letter-Q4-25.pdf

[3] Insurance Journal: Insurtech Lemonade Posts $43.7M Loss for Q3
https://www.insurancejournal.com/news/national/2026/11/10/892242.htm

[4] The Register: Insurance startup backtracks on running videos of claimants through AI lie detector
https://www.theregister.com/2021/05/26/ai_insurance_lemonade/

[5] US Securities and Exchange Commission: Lemonade, Inc. Form S-1, 2020
https://www.sec.gov/Archives/edgar/data/1691421/000104746920003416/a2241721zs-1.htm

Lemonade website: https://www.lemonade.com

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VERSION HISTORY

v1.1 15 November 2026 Added third quarter 2026 figures: in force premium, customers, revenue and nine-month loss.
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