

No. **2024-8780**

**Official Order
of the
Texas Commissioner of Insurance**

Date: 8/13/2024

Subject Considered:

Lemonade Insurance Company
5 Crosby St Fl 3
New York, NY 10013-4590

Consent Order
TDI Enforcement File No. 34580

General remarks and official action taken:

This is a consent order with Lemonade Insurance Company. Lemonade self-reported to the department that it discovered a rating error for certain residential property policies. Lemonade has agreed to pay restitution, with interest, to the policyholders who were overcharged.

Waiver

Lemonade acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Lemonade waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

Findings of Fact

1. Lemonade is a foreign fire and casualty insurance company holding a certificate of authority to transact business in Texas.
2. In April 2024, Lemonade notified the department that it discovered a rating error for certain residential property policies. The error caused incorrect data to be used

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to calculate premium for certain residential property policyholders, resulting in both overcharges and undercharges.

3. Specifically, the rating system used by Lemonade queries third-party databases as inputs. In certain situations, Lemonade's system failed to provide enough time to allow for the third-party database to return the requested input, which resulted in a null value and affected the calculation of premium.
4. Lemonade represents that the overcharges affected more than 6,000 Texas policies and undercharges affected more than 10,000 policies.
5. Lemonade represents it will not attempt to recover premium from any policyholders who were undercharged.

Conclusions of Law

1. The commissioner has jurisdiction over this matter under TEX. INS. CODE §§ 82.051–82.055, 84.021–84.044, 801.051–801.053, and 2251.101.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. Lemonade has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Lemonade violated TEX. INS. CODE § 2251.101 by charging rates different than those on file with the department.
5. Pursuant to TEX. INS. CODE § 82.053, the commissioner is authorized to direct Lemonade to make complete restitution to each policyholder impacted by the violation.

Order

Lemonade is ordered to comply with the following:

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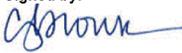
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- a. Lemonade must identify all residential property insurance policies that it issued or renewed in Texas with effective dates from September 19, 2022, through May 21, 2024 (the Review Period).
- b. For each policy in the Review Period, Lemonade must calculate the corrected premium based on the rate filed with the department. If the premium charged is more than the corrected premium, the difference constitutes the "Overcharge."
- c. Lemonade must pay restitution in the form of a company check or account credit to each policyholder identified in the Review Period as having an Overcharge (the Qualifying Policyholders). The restitution check or account credit must include both the dollar amount of the overcharge, plus simple interest due on the overcharge. The rate of interest is 5% per annum.
- d. Lemonade must mail the restitution checks or issue the account credits to the Qualifying Policyholders on or before February 15, 2025.
- e. Any restitution checks that are returned to Lemonade with an address correction must be promptly resent to the correct address. Funds from any restitution checks that are returned thereafter for incorrect addresses and from checks that are not negotiated must be reported and delivered to the comptroller pursuant to the procedures and deadlines set forth in TEX. PROP. CODE §§ 72.001 *et. seq.*, 73.001 *et. seq.*, and 74.001 *et. seq.*
- f. On or before April 15, 2025, Lemonade must report the restitution paid to the Qualifying Policyholders by submitting a complete and sortable electronic spreadsheet to the department. The spreadsheet must contain the following information:
 - i. policy number;
 - ii. policyholder name;
 - iii. policyholder address;
 - iv. effective date of the policy;
 - v. expiration date of the policy;
 - vi. amount of Overcharge;
 - vii. dollar amount of simple interest;
 - viii. amount of Overcharge and interest;

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- ix. date(s) of mailing of restitution check or credits;
 - x. the total sum of all Overcharges;
 - xi. the total sum of all simple interest; and
 - xii. the total sum of all restitution paid (total Overcharges plus the total of the simple interest).
- g. Lemonade must send all submissions required under the terms of this order by email to: EnforcementReports@tdi.texas.gov.

Signed by:

FC5D7EDDFFB4F8...

Cassie Brown
Commissioner of Insurance

Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Fraud and Enforcement Division



Mandy Meesey, Associate Commissioner
Enforcement

Affidavit

STATE OF New York §

§

COUNTY OF New York §

Before me, the undersigned authority, personally appeared Scott Fischer , who being by me duly sworn, deposed as follows:

"My name is Scott Fischer . I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of General Counsel and am the authorized representative of Lemonade Insurance Company. I am duly authorized by said organization to execute this statement.

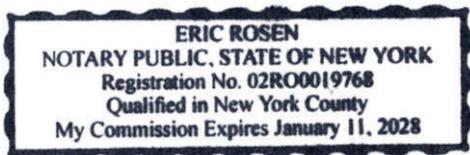
Lemonade Insurance Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."



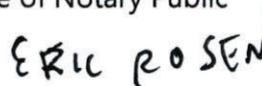
Affiant

SWORN TO AND SUBSCRIBED before me on July 30 , 2024.

(NOTARY SEAL)



Signature of Notary Public



Printed Name of Notary Public