Project Statement

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1. The Problem

Auto insurance industry is witnessing a paradigm shift. Since auto insurance is a homogenous good (difficult to differentiate product A from product B), companies are fighting a price war. On top of that, distribution channel is shifting more from traditional insurance brokers to online purchase. This means that ability for companies to interact through human touch point is limited and customer should be quoted a good price. A good price quote is one which makes customer purchase the policy and helps the company to increase the profits.

Also, the insurance premium is calculated based on more than 50+ parameters. This means that traditional business analytics-based algorithms are now limited in their ability to differentiate among customers based on subtle parameters.

2. Goal

Build a Machine Learning Model to predict whether an owner will initiate an auto insurance claim in the next year.