Capstone Project-2 Proposal

Title- Porto Seguro Safe Driver Prediction

**Problem-**

Inaccuracies in car insurance company’s claim predictions raise the cost of insurance for good drivers and reduce the price for bad ones. If a driver has claimed the insurance, then there is a possibility that the drivers share some common attributes with other driver who have filed the claim. It is like the bad drivers will have same feature set and the good ones will share the same feature set. It would be great to create a model which can classify between the two drivers group and adjust the insurance price accordingly.

**The Client**-

The Clients are auto insurance company which can use the prediction models to classify among the good and bad drivers. Also, the auto insurance company can issue guidelines on how to become a good driver, hence drivers will have a chance to improve their records and lower their insurance premium. The first client will be Porto Seguro, Brazil’s largest auto insurance company and the donor of this data set.

**Data-**

The Data is available on Kaggle. Here is the link-

https://www.kaggle.com/c/porto-seguro-safe-driver-prediction

The data is provided by the Porto Seguro. The data is highly anonymized and no information is provided about the features. There are almost 54 features for a single driver. The data is divided into the Train and test. The train data has a target column which has 0 for no claim and 1 for claim. Hence, it is a binary classification problem.

The total number of features are 57.

Total categorical features are 14.

Total binary features are 17.

Total continuous features are 26.

**Approach and Results** –

With the continuous features we can do a correlation analysis and also do a PCA to see which feature impacts the most.

Binary Variable Analysis-

From the above matrix it is very clear that the following variables have a strong correlation-  
1) 'ps\_car\_15' with 'ps\_car\_13', a strong positive correlation is found.  
2) 'ps\_car\_13' with 'ps\_car\_12', a strong positive correlation is found.  
3) 'ps\_reg\_03' with 'ps\_reg\_01' and 'ps\_reg\_02', a strong positive correlation is found.

The data is anonymized, so it is hard to determine what does each of these variable means. For example, variable 'ps\_reg\_03', might have to do something with the registering of the user in a certain region in Brazil. PS must have divided the Brazil into different regions and these variables are the indicators

Categorical Variable Analysis-

There are 2 assumptions for the categorical variables-  
1) The categorical variable are independent, it means that the variables are something like car categories and are independent to each other and to target as well.  
2) The categorical variables are dependent and correlated with target. It means that the variable present something like the citations/tickets from the cops. Some customers might have 4 -5 tickets/citation for reckless driving or for any other reason and those customers are kept in the high risk area. Customers with 2-3 tickets are kept in moderate area and customers with 0 to 1 tickets are kept in safe zone.

If second assumption is true, then there is supposed to be a strong correlation with the target variable. There are a total of 14 categorical features. The best way to check a correlation among categorical and binary variable is to conduct a polychoric correlation. However, there is no library or package which estimates polychoric, hence this idea is dropped.

To check if our second assumption is correct, we can assume the categorical to be continuous variable and use point biserial correlation coefficient from scipy package, which calculate correlation between the binary and continuous variables. This will solve the purpose.

PCA (Principal Component Analysis)

PCA is conducted to reduce the dimensionality of the data set.

We found that with 24 PC are good enough to capture all the variance in the data.  
After 24 PCA there is not much difference in variance. But if we choose 24, we are still not able to reduce the dimensionality of data at large. So we plan to stick with the 5 PC only.

Down sampling-

Our training data is highly imbalanced with only 3% of user data who has claimed an insurance.  
Approach is to under sample the 'No Claim' class and bring the sample numbers equivalent to the 'Claim' class.  
Tomek links is used to down sample the data. Tomek Links create clusters of classes representing different data points, Now tomek links are defined as the links which exist if the two samples are the nearest neighbors of each other.  
Hence, training data is under sampled and represent only unique samples. We will try running this algorithm and see how much it under samples

Continuous Variables

The strategy is to see divide the data into two groups. One represents the positive group and the other one represents the negative group (Class A and Class B). We analyzed the continuous variables for both the groups and found that behavior of the variable in the groups is identical.

We calculated the mean, standard deviation and the distribution curves of variables from both the groups.

1) Our analysis clearly indicates that there is no significant difference between the continuous variables in these two groups.  
2) It will be difficult for the ML models to learn about them, because there is no variance among these variables in these two different subsets of data.

**Final Conclusion**

1) Data Set is a mixture of the categorical, binary and the continuous variables.

2) The target class (binary) is highly imbalanced, with only 3% of samples belonging to the 'CLAIM' class.

3) Binary variable analysis is conducted to see how strongly each variable is associated with the target variable.

4) Pearson correlation is conducted to see the relation among the continuous variables.

5) PCA is done and concluded that 24 PC represents the 100 % of variance, but for sake of simplicity we will keep PC to be 4 only. Hence, reducing the dimensionality.

6) We also found that our assumption regarding the categorical variables is wrong.

7) Finally we concluded that there is no variance among the continuous variable of different group of people who claimed and who do not claim the insurance.

IPython notebook link- <https://github.com/ayusmittal/SpringBoard-Projects/blob/master/CapStone-Project-2/Milestone.ipynb>

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