Predicting and

Explaining Caravan

Policy Ownership

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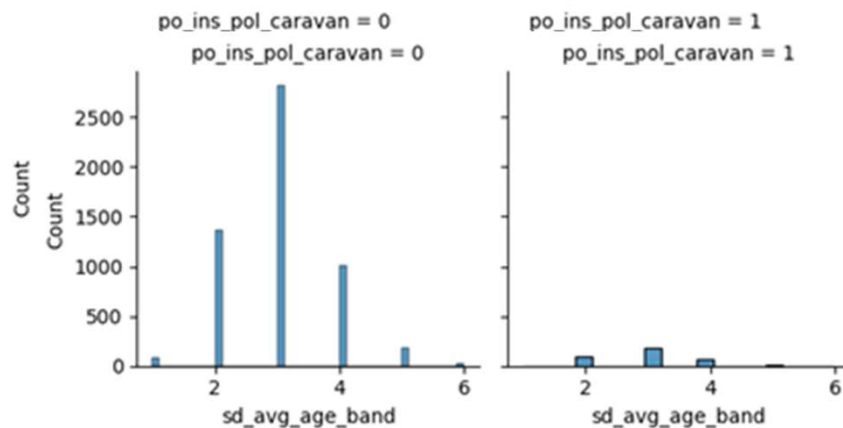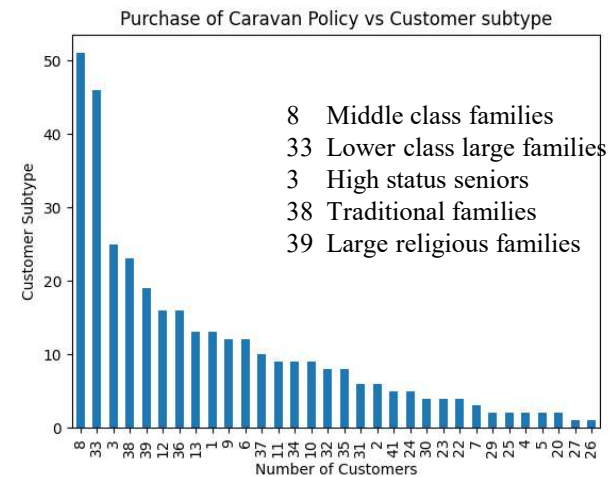
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Introduction

- Insurance company is looking for predictive modelling solution to reduce the cost of marketing of their new product, caravan insurance to internal customers.
- Given sociodemographic and product variables, they are requesting to flag best possible customers to reach out to sell their product.
- Various machine learning algorithms were used in the effort in predicting
- Recommendations – Use Naïve Bayes algorithm for prediction
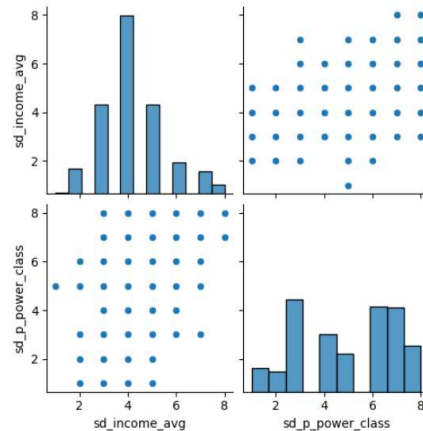
Data Preparation - Exploration

Distinct profiles of Caravan Insurance customers based on sociodemographic data


Most customers are in age range of 40 - 50 years

8   Middle class families
33 Lower class large families
3   High status seniors
38 Traditional families
39 Large religious families

Most customers are middle class families or lower class large families

High average income for higher purchasing power class

Data Preparation - Exploration

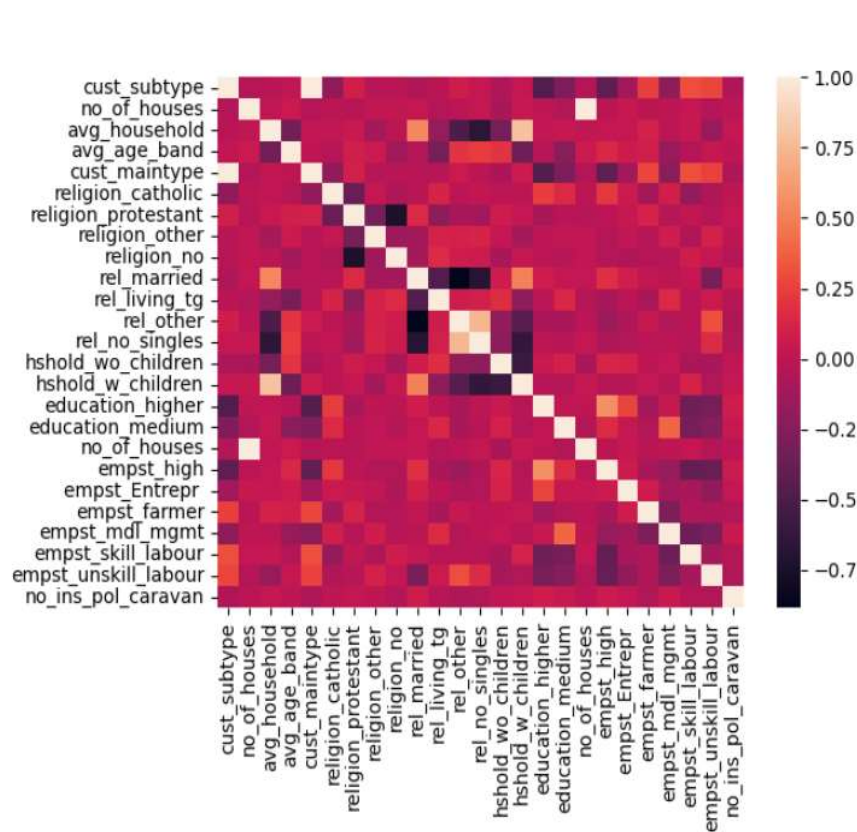Distinct profiles of Caravan Insurance customers based on Product data

Lower third party insurance premiums
High car insurance premiums
High fire insurance premiums
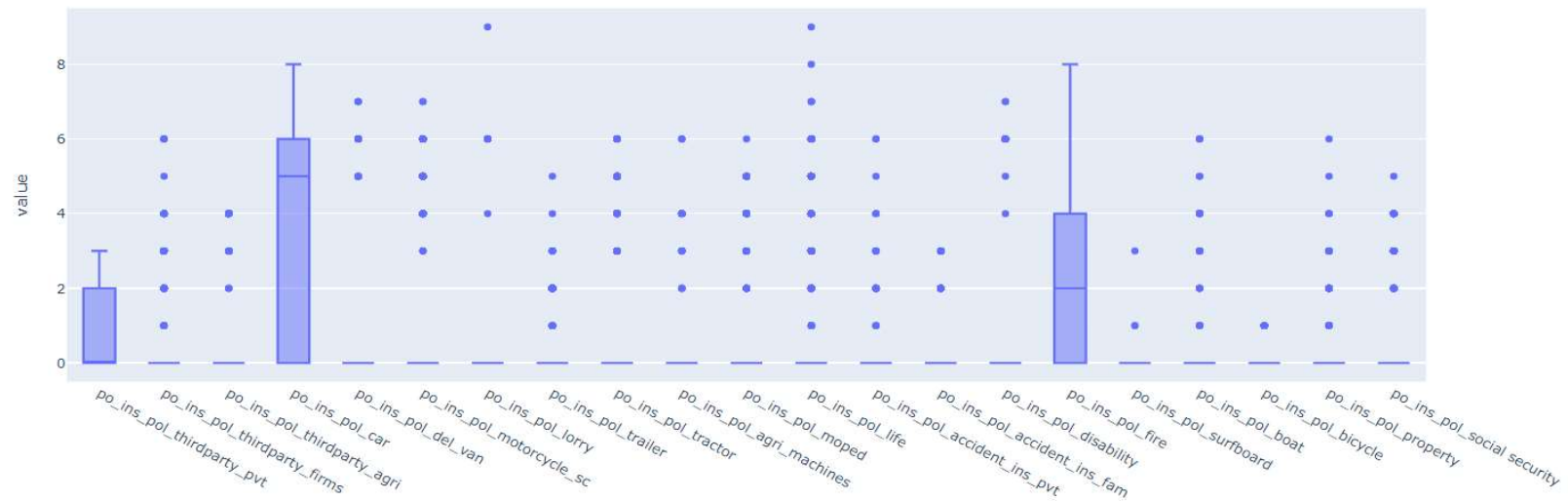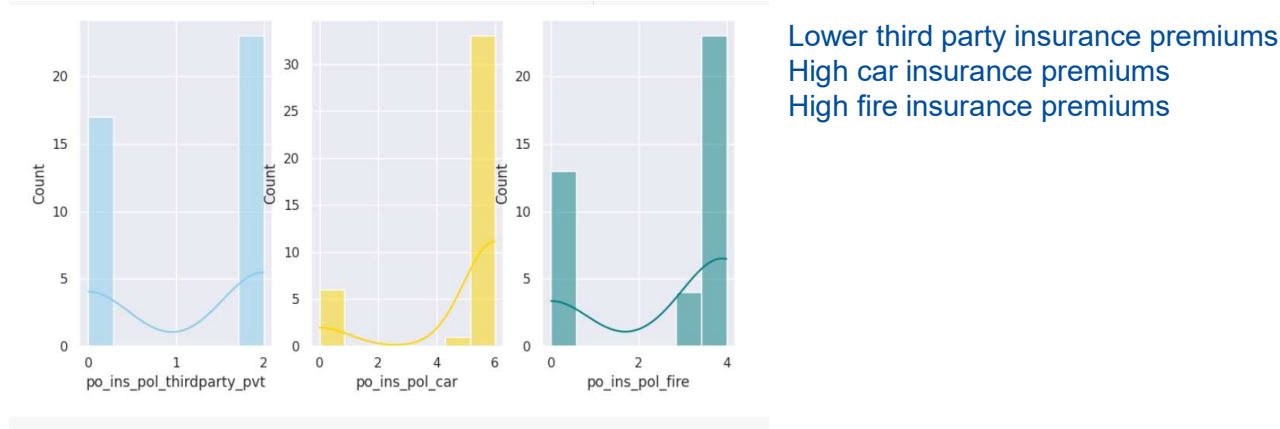
Popular products are third-party private, car and fire policy.
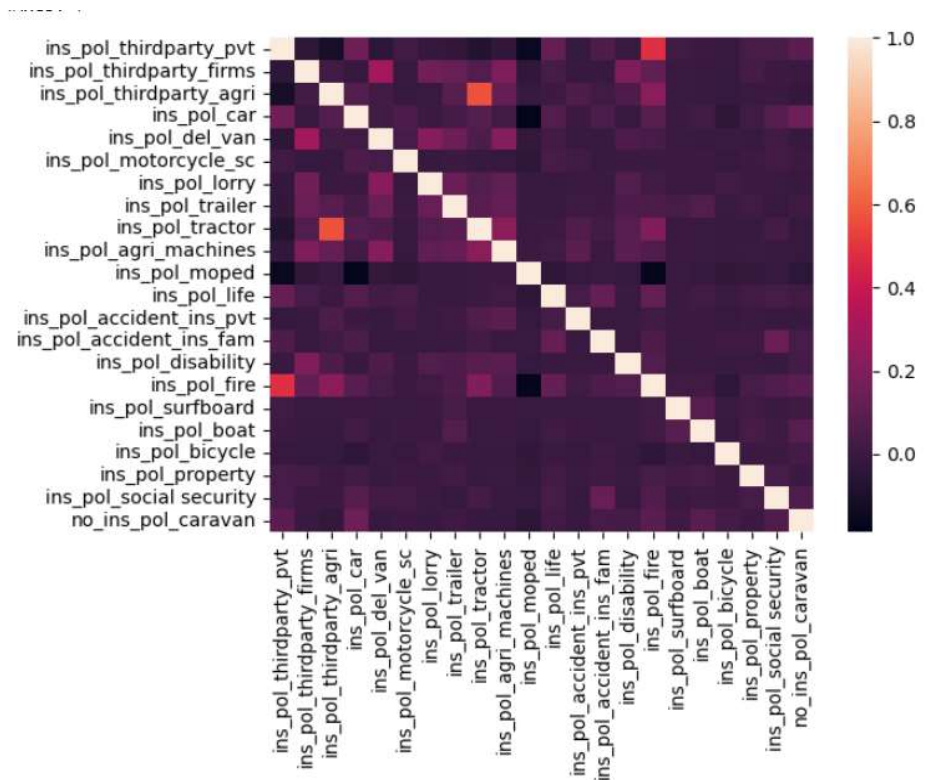
Data Preparation - Exploration

Correlation Matrix
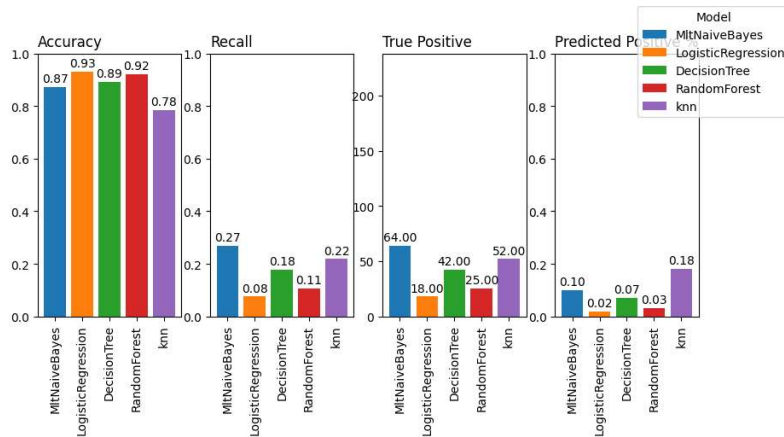
Sociodemographic data

Product data

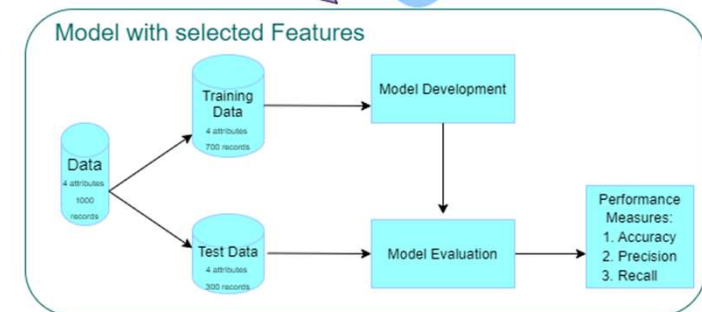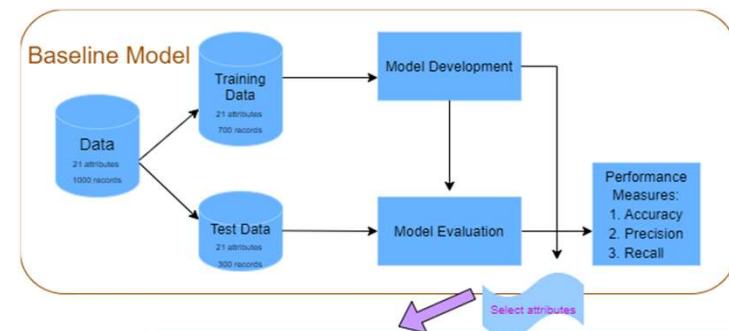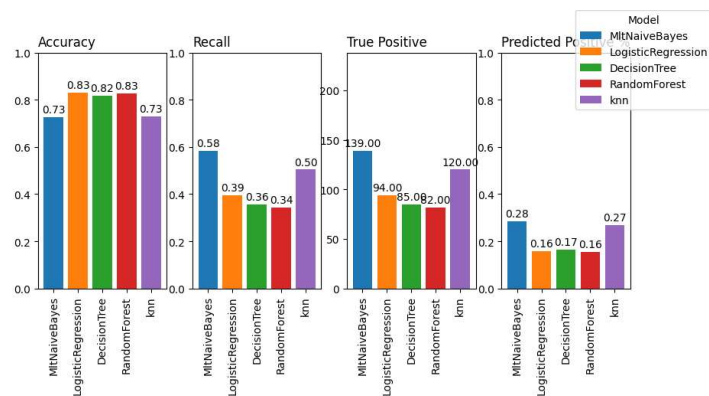# Predictive Modelling

Baseline model

Initial model criteria
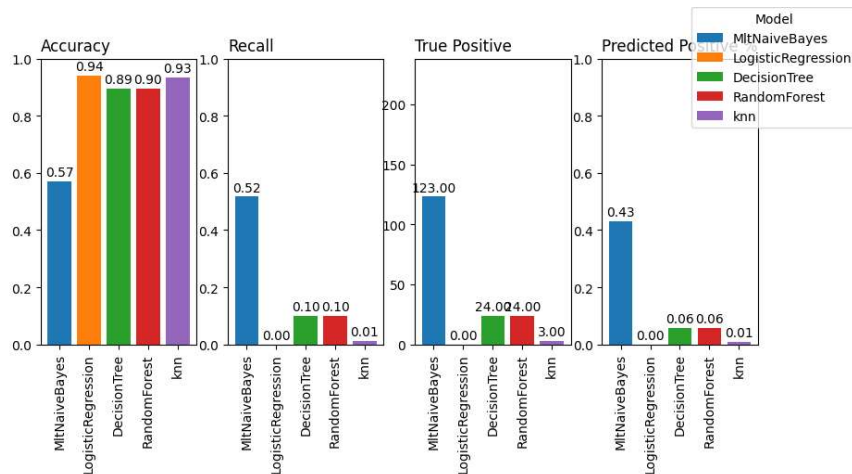Validation/test split : 70/30,   random state 7
Sampling technique : SMOTE
Encoding categorical attributes

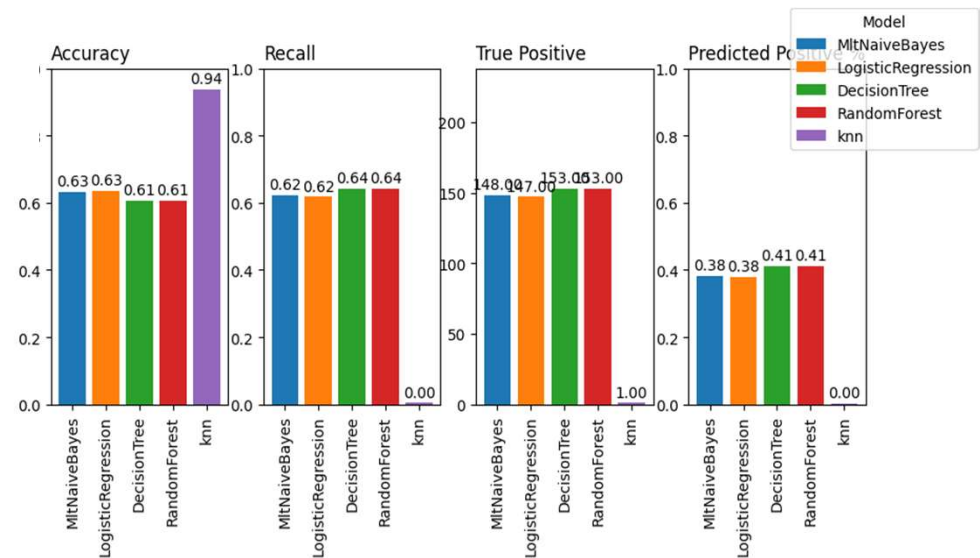## Final model

Predictions by segments of Data

Predicting a customer's likelihood to purchase Caravan Insurance based on their product characteristics

Best model - Decision Tree , Random Forest
Accuracy 64% True positive = 153

Predicting a customer's likelihood to purchase Caravan Insurance based on their sociodemographic characteristics

Best model - Naïve Bayes
Accuracy 57%, True positive = 123

Best features	
Attribute	Score
sd_religion_other_2	71619.19
sd_empst_unskill_labour_2	62334.3
sd_income_1_30k_2	61913.47
sd_education_medium_3	61581.3
sd_religion_protestant_5	61457.34

Best features	
Attribute	Score
po_ins_pol_car_6	387.4142
dr_car_tptypvt	367.1447
po_ins_pol_car_0	356.6783
po_no_ins_pol_car	257.3392
po_ins_pol_thirdparty_pvt_2	183.6167

Predictions by segments of Data

Predicting a customer's likelihood to purchase Caravan Insurance based on their sociodemographic and product characteristics
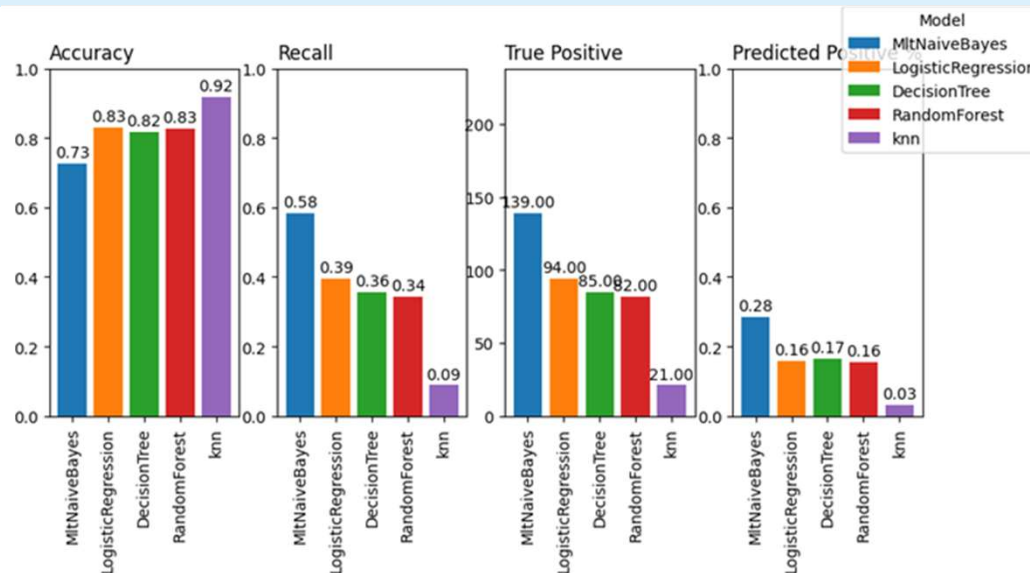
Best Attributes	
Attribute	Score
po_ins_pol_car_0	723.2143
dr_car_tptypvt_1	584.9565
dr_car_tptypvt_0	444.7121
po_ins_pol_thirdparty_pvt_0	414.5592
sd_empst_skill_labour_3	404.4648
po_ins_pol_car_5	363.6918
sd_empst_unskill_labour_3	340.1657
sd_income_avg_3	310.5957
sd_socialclassC_5	301.8962
sd_income_l_30k_5	289.1691

Best model - Naïve Bayes
Accuracy 73%, True positive = 139

```
                 precision    recall   f1-score    support

            0       0.97        0.73      0.83        3762
            1       0.12        0.58      0.20         238

     accuracy                             0.73        4000
    macro avg       0.54        0.66      0.52        4000
 weighted avg       0.92        0.73      0.80        4000

   confusion matrix
 [[2765  997]
  [  99  139]]
TP:  139 , FP:  997 , TN:  2765 , FN: 99
accuracy  0.726
recall    0.584
```

Conclusion and Recommendation

- Naïve Bayes is the best algorithm to predict caravan customers.
- Model could correctly identify 139 caravan customers out of 238 with 73% accuracy
- Model predictions are to contact 28% of the customer base to promote caravan policy
- Best predictive attributes are : car policy, private third party policy, average income 3, skill labour 3, unskill labour 3

Thank you.
Chang School,
Professors,
Technical Assistants,
Colleges