#### **Predicting Insurance Premiums**

- Our simple dataset contains a few attributes for each person such as
- Age, Sex, BMI, Children, Smoker, Region and their charges

#### Aim

To use this info to predict charges for new customers

```
import pandas as pd
file_name = "insurance.csv"
insurance = pd.read_csv(file_name) #you can use the data uploaded in the same folde
# or not

# Preview our data
insurance.head()
```

```
Out[2]:
                           bmi children smoker
                                                      region
                                                                  charges
            age
                    sex
                 female 27.900
                                       0
                                              yes southwest 16884.92400
         0
             19
             18
                   male 33.770
                                                   southeast
                                                               1725.55230
         2
             28
                   male 33.000
                                       3
                                                   southeast
                                                               4449.46200
             33
                   male 22.705
                                                   northwest 21984.47061
                   male 28.880
                                       0
                                                               3866.85520
             32
                                                   northwest
```

```
In [3]: insurance.info()
```

```
<class 'pandas.core.frame.DataFrame'>
RangeIndex: 1338 entries, 0 to 1337
Data columns (total 7 columns):
```

```
Non-Null Count Dtype
    Column
0
            1338 non-null int64
    age
1
    sex
            1338 non-null object
            1338 non-null float64
   children 1338 non-null int64
 3
   smoker
            1338 non-null object
5
    region
             1338 non-null
                            object
    charges
             1338 non-null
                            float64
dtypes: float64(2), int64(2), object(3)
memory usage: 73.3+ KB
```

```
In [4]: insurance.describe()
```

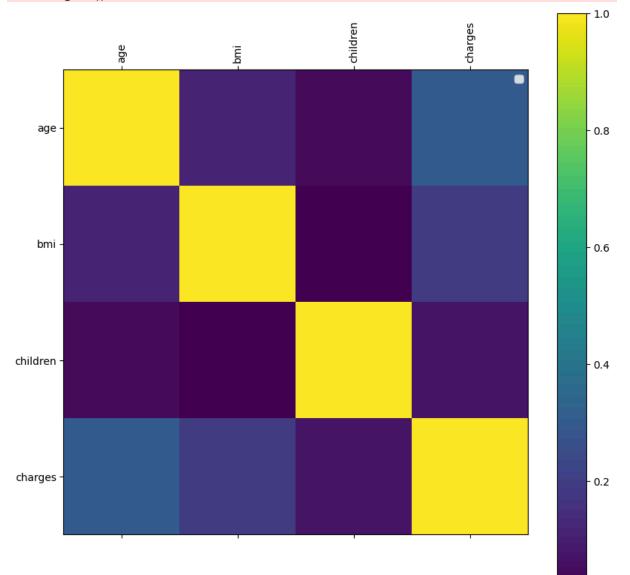
```
Out[4]:
                                     bmi
                                              children
                                                            charges
                        age
          count 1338.000000 1338.000000 1338.000000
                                                        1338.000000
                   39.207025
          mean
                                30.663397
                                              1.094918
                                                      13270.422265
            std
                   14.049960
                                 6.098187
                                              1.205493 12110.011237
            min
                   18.000000
                                15.960000
                                              0.000000
                                                        1121.873900
           25%
                   27.000000
                                26.296250
                                              0.000000
                                                        4740.287150
           50%
                   39.000000
                                30.400000
                                              1.000000
                                                        9382.033000
           75%
                   51.000000
                                34.693750
                                              2.000000 16639.912515
           max
                   64.000000
                                53.130000
                                              5.000000 63770.428010
 In [5]: print ("Rows : " , insurance.shape[0])
print ("Columns : " , insurance.shape[1])
          print ("\nFeatures : \n" , insurance.columns.tolist())
          print ("\nMissing values : ", insurance.isnull().sum().values.sum())
          print ("\nUnique values : \n",insurance.nunique())
        Rows
              : 1338
        Columns : 7
        Features :
         ['age', 'sex', 'bmi', 'children', 'smoker', 'region', 'charges']
        Missing values: 0
        Unique values :
         age
                        47
        sex
                        2
        bmi
                      548
                        6
        children
                        2
        smoker
        region
                        4
        charges
                     1337
        dtype: int64
In [29]: insurance.corr(numeric_only = True)
Out[29]:
                       age
                                 bmi children
                                                charges
              age 1.000000 0.109272 0.042469
                                                0.299008
              bmi 0.109272 1.000000 0.012759
                                                0.198341
          children 0.042469 0.012759 1.000000
                                                0.067998
          charges 0.299008 0.198341 0.067998 1.000000
In [35]: import matplotlib.pyplot as plt
         def plot_corr(df,size=10):
```

```
'''Function plots a graphical correlation matrix for each pair of columns in th

Input:
    df: pandas DataFrame
    size: vertical and horizontal size of the plot'''

corr = df.corr(numeric_only = True)
fig, ax = plt.subplots(figsize=(size, size))
ax.legend()
cax = ax.matshow(corr)
fig.colorbar(cax)
plt.xticks(range(len(corr.columns)), corr.columns, rotation='vertical')
plt.yticks(range(len(corr.columns)), corr.columns)
```

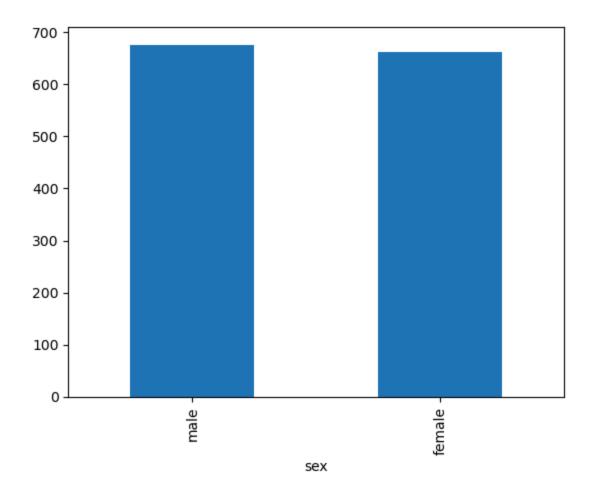
C:\Users\Mahaveera Foods\AppData\Local\Temp\ipykernel\_1076\3440799524.py:12: UserWar
ning: No artists with labels found to put in legend. Note that artists whose label
start with an underscore are ignored when legend() is called with no argument.
ax.legend()



In [37]: fig, axes = plt.subplots(nrows=2, ncols=2, figsize=(12, 10)) insurance.plot(kind="hist", y="age", bins=70, color="b", ax=axes[0][0]) insurance.plot(kind="hist", y="bmi", bins=100, color="r", ax=axes[0][1]) insurance.plot(kind="hist", y="children", bins=6, color="g", ax=axes[1][0]) insurance.plot(kind="hist", y="charges", bins=100, color="orange", ax=axes[1][1]) plt.show() bmi Frequency N Frequency children charges Frequency 80 00 Frequency 8 05 20000 30000 

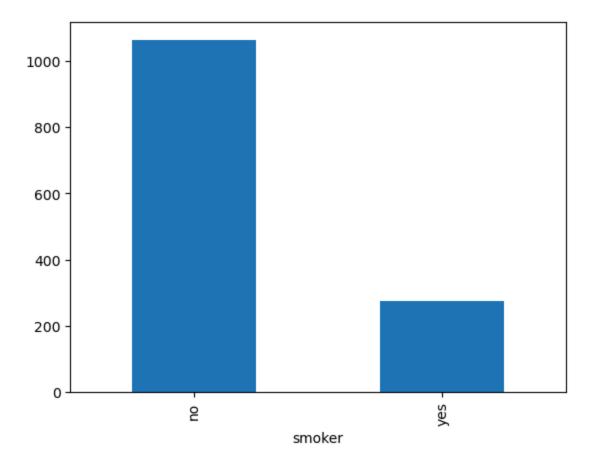
In [39]: insurance['sex'].value\_counts().plot(kind='bar')

Out[39]: <Axes: xlabel='sex'>

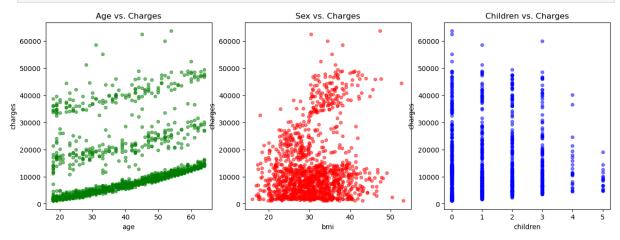


```
In [41]: insurance['smoker'].value_counts().plot(kind='bar')
```

Out[41]: <Axes: xlabel='smoker'>

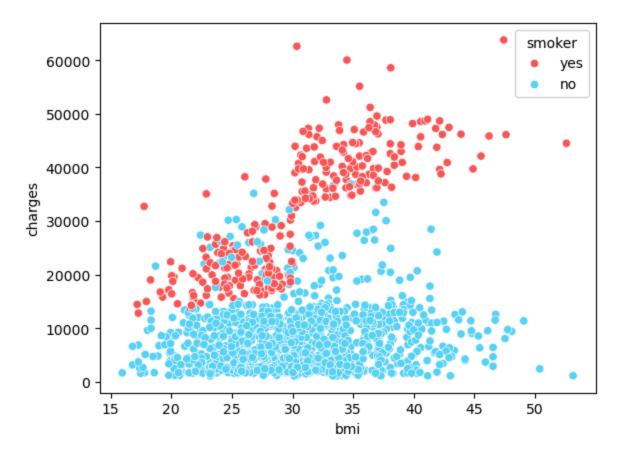


In [43]: fig, axes = plt.subplots(nrows=1, ncols=3, figsize=(15, 5))
 insurance.plot(kind='scatter', x='age', y='charges', alpha=0.5, color='green', ax=a
 insurance.plot(kind='scatter', x='bmi', y='charges', alpha=0.5, color='red', ax=axe
 insurance.plot(kind='scatter', x='children', y='charges', alpha=0.5, color='blue',
 plt.show()

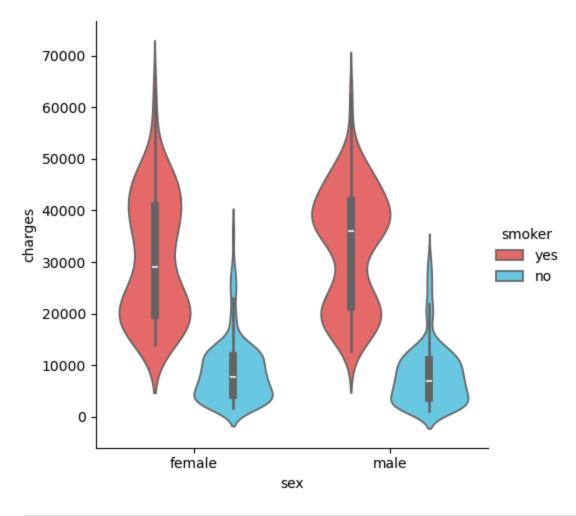


```
In [45]: import seaborn as sns # Imorting Seaborn Library
pal = ["#FA5858", "#58D3F7"]
sns.scatterplot(x="bmi", y="charges", data=insurance, palette=pal, hue='smoker')
```

Out[45]: <Axes: xlabel='bmi', ylabel='charges'>



Out[47]: <seaborn.axisgrid.FacetGrid at 0x23e23029a30>

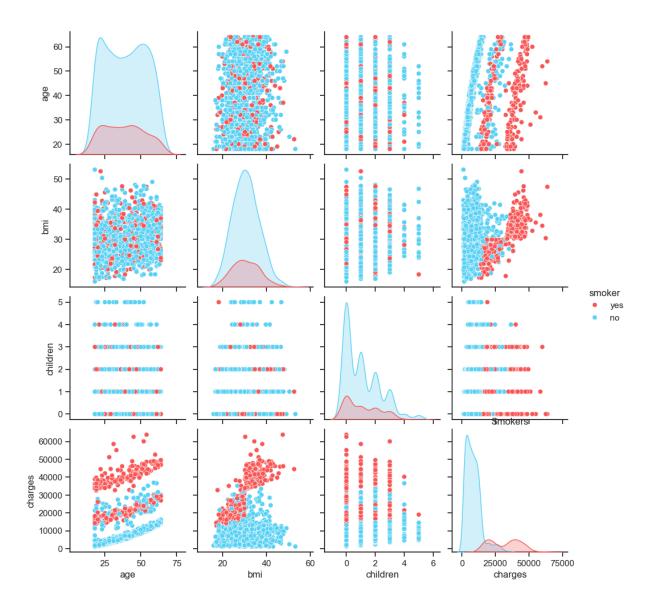


```
In [48]: import seaborn as sns

sns.set(style="ticks")
pal = ["#FA5858", "#58D3F7"]

sns.pairplot(insurance, hue="smoker", palette=pal)
plt.title("Smokers")
```

Out[48]: Text(0.5, 1.0, 'Smokers')



# Preparing Data for Machine Learning Algorithms

[51]:	<pre>insurance.head()</pre>											
t[51]:	age se		sex	bmi	children	smoker	region	charges				
	0	19	female	27.900	0	yes	southwest	16884.92400				
	1	18	male	33.770	1	no	southeast	1725.55230				
	2	28	male	33.000	3	no	southeast	4449.46200				
	3	33	male	22.705	0	no	northwest	21984.47061				
	4	32	male	28.880	0	no	northwest	3866.85520				
[			ce['reg		• ()							

```
Out[54]: array(['southwest', 'southeast', 'northwest', 'northeast'], dtype=object)
In [56]: insurance.drop(["region"], axis=1, inplace=True)
         insurance.head()
Out[56]:
            age
                           bmi children smoker
                                                     charges
              19
                 female 27.900
                                      0
                                             yes 16884.92400
         0
              18
                   male 33.770
                                                   1725.55230
                                              no
         2
              28
                   male 33.000
                                      3
                                                   4449.46200
         3
              33
                   male 22.705
                                                 21984.47061
                                              no
              32
                   male 28.880
                                      0
                                                   3866.85520
In [58]: # Changing binary categories to 1s and 0s
         insurance['sex'] = insurance['sex'].map(lambda s :1 if s == 'female' else 0)
         insurance['smoker'] = insurance['smoker'].map(lambda s :1 if s == 'yes' else 0)
         insurance.head()
Out[58]:
            age sex
                        bmi children smoker
                                                   charges
         0
              19
                   1 27.900
                                    0
                                            1 16884.92400
              18
                   0 33.770
                                                1725.55230
         2
                                    3
              28
                   0 33.000
                                                4449.46200
                   0 22.705
                                            0 21984.47061
              33
              32
                                    0
                   0 28.880
                                                3866.85520
In [60]: X = insurance.drop(['charges'], axis = 1)
         y = insurance.charges
```

#### **Modeling our Data**

```
In [63]: from sklearn.model_selection import train_test_split
    from sklearn.linear_model import LinearRegression

X_train, X_test, y_train, y_test = train_test_split(X, y, random_state = 0)
    lr = LinearRegression().fit(X_train, y_train)

y_train_pred = lr.predict(X_train)
    y_test_pred = lr.predict(X_test)

print(lr.score(X_test, y_test))
```

**Score** is the R2 score, which varies between 0 and 100%. It is closely related to the MSE but not the same.

Wikipedia defines r2 like this, " ... is the proportion of the variance in the dependent variable that is predictable from the independent variable(s)." Another definition is "(total variance explained by model) / total variance." So if it is 100%, the two variables are perfectly correlated, i.e., with no variance at all. A low value would show a low level of correlation, meaning a regression model that is not valid, but not in all cases.

```
In [66]: results = pd.DataFrame({'Actual': y_test, 'Predicted': y_test_pred})
results
Out[66]: Actual Predicted
```

	Actual	Predicted
578	9724.53000	11457.247488
610	8547.69130	9925.930740
569	45702.02235	37768.549419
1034	12950.07120	15853.346790
198	9644.25250	6939.119725
•••		
574	13224.05705	14429.077741
1174	4433.91590	6705.247131
1327	9377.90470	11152.092298
817	3597.59600	7200.555548
1337	29141.36030	36542.082417

335 rows × 2 columns

```
In [68]: # Normalize the data
    from sklearn.preprocessing import StandardScaler

    sc = StandardScaler()
    X_train = sc.fit_transform(X_train)
    X_test = sc.transform(X_test)

In [70]: pd.DataFrame(X_train).head()
```

```
Out[70]:
                   0
                             1
                                       2
                                                 3
                                                           4
         0 -0.514853   0.985155   -0.181331   -0.063607   -0.503736
             1.548746
                       0.985155 -1.393130 -0.892144 -0.503736
         2 -1.439915 -1.015069 -0.982242 -0.063607 -0.503736
          3 -1.368757
                       0.985155 -1.011133 -0.892144
                                                     1.985167
          4 -0.941805  0.985155  -1.362635  -0.892144  -0.503736
         pd.DataFrame(y_train).head()
In [72]:
Out[72]:
                   charges
          1075
                4562.84210
           131
               13616.35860
            15
                 1837.23700
          1223 26125.67477
          1137
                 3176.28770
In [74]: from sklearn.linear_model import LinearRegression # Import Linear Regression model
         multiple_linear_reg = LinearRegression(fit_intercept=False) # Create a instance fo
         multiple_linear_reg.fit(X_train, y_train) # Fit data to the model
Out[74]:
                    LinearRegression
         LinearRegression(fit_intercept=False)
In [76]: from sklearn.preprocessing import PolynomialFeatures
         polynomial_features = PolynomialFeatures(degree=3) # Create a PolynomialFeatures i
         x_train_poly = polynomial_features.fit_transform(X_train) # Fit and transform the
         x_test_poly = polynomial_features.fit_transform(X_test) # Fit and transform the te
         polynomial_reg = LinearRegression(fit_intercept=False) # Create a instance for Lin
         polynomial_reg.fit(x_train_poly, y_train) # Fit data to the model
Out[76]:
                    LinearRegression
         LinearRegression(fit_intercept=False)
In [78]: from sklearn.tree import DecisionTreeRegressor # Import Decision Tree Regression m
         decision_tree_reg = DecisionTreeRegressor(max_depth=5, random_state=13) # Create d
         decision_tree_reg.fit(X_train, y_train) # Fit data to the model
```

**NOTE:** n\_estimators represents the number of trees in the forest. Usually the higher the number of trees the better to learn the data. However, adding a lot of trees can slow down the training process considerably, therefore we do a parameter search to find the sweet spot.

```
In [83]: from sklearn.svm import SVR # Import SVR model

support_vector_reg = SVR(gamma="auto", kernel="linear", C=1000) # Create a instance
support_vector_reg.fit(X_train, y_train) # Fit data to the model

Out[83]:

SVR

SVR(C=1000, gamma='auto', kernel='linear')

In [85]: from sklearn.model_selection import cross_val_predict # For K-Fold Cross Validation
from sklearn.metrics import r2_score # For find accuracy with R2 Score
from sklearn.metrics import mean_squared_error # For MSE
from math import sqrt # For squareroot operation
```

#### **Evaluating Multiple Linear Regression Model**

```
In [88]: # Prediction with training dataset:
    y_pred_MLR_train = multiple_linear_reg.predict(X_train)

# Prediction with testing dataset:
    y_pred_MLR_test = multiple_linear_reg.predict(X_test)

# Find training accuracy for this model:
    accuracy_MLR_train = r2_score(y_train, y_pred_MLR_train)
    print("Training Accuracy for Multiple Linear Regression Model: ", accuracy_MLR_trai

# Find testing accuracy for this model:
    accuracy_MLR_test = r2_score(y_test, y_pred_MLR_test)
    print("Testing Accuracy for Multiple Linear Regression Model: ", accuracy_MLR_test)

# Find RMSE for training data:
    RMSE_MLR_train = sqrt(mean_squared_error(y_train, y_pred_MLR_train))
```

```
print("RMSE for Training Data: ", RMSE_MLR_train)

# Find RMSE for testing data:
RMSE_MLR_test = sqrt(mean_squared_error(y_test, y_pred_MLR_test))
print("RMSE for Testing Data: ", RMSE_MLR_test)

# Prediction with 10-Fold Cross Validation:
y_pred_cv_MLR = cross_val_predict(multiple_linear_reg, X, y, cv=10)

# Find accuracy after 10-Fold Cross Validation
accuracy_cv_MLR = r2_score(y, y_pred_cv_MLR)
print("Accuracy for 10-Fold Cross Predicted Multiple Linaer Regression Model: ", ac

Training Accuracy for Multiple Linear Regression Model: -0.4895607457643889
Testing Accuracy for Multiple Linear Regression Model: -0.324110208111029
RMSE for Training Data: 14589.30728329809
RMSE for Testing Data: 14438.166278828226
Accuracy for 10-Fold Cross Predicted Multiple Linaer Regression Model: 0.7171134192
00113
```

#### **Evaluating Polynomial Regression Model**

```
In [91]: # Prediction with training dataset:
         y pred PR train = polynomial reg.predict(x train poly)
         # Prediction with testing dataset:
         y_pred_PR_test = polynomial_reg.predict(x_test_poly)
         # Find training accuracy for this model:
         accuracy PR train = r2 score(y train, y pred PR train)
         print("Training Accuracy for Polynomial Regression Model: ", accuracy_PR_train)
         # Find testing accuracy for this model:
         accuracy_PR_test = r2_score(y_test, y_pred_PR_test)
         print("Testing Accuracy for Polynomial Regression Model: ", accuracy_PR_test)
         # Find RMSE for training data:
         RMSE_PR_train = sqrt(mean_squared_error(y_train, y_pred_PR_train))
         print("RMSE for Training Data: ", RMSE_PR_train)
         # Find RMSE for testing data:
         RMSE_PR_test = sqrt(mean_squared_error(y_test, y_pred_PR_test))
         print("RMSE for Testing Data: ", RMSE_PR_test)
         # Prediction with 10-Fold Cross Validation:
         y_pred_cv_PR = cross_val_predict(polynomial_reg, polynomial_features.fit_transform(
         # Find accuracy after 10-Fold Cross Validation
         accuracy_cv_PR = r2_score(y, y_pred_cv_PR)
         print("Accuracy for 10-Fold Cross Predicted Polynomial Regression Model: ", accurac
```

```
Training Accuracy for Polynomial Regression Model: 0.8355072839439216
Testing Accuracy for Polynomial Regression Model: 0.881007372576663
RMSE for Training Data: 4848.181811885191
RMSE for Testing Data: 4328.2266950880685
Accuracy for 10-Fold Cross Predicted Polynomial Regression Model: 0.839107291768899
```

#### **Evaluating Decision Tree Regression Model**

```
In [94]: # Prediction with training dataset:
         y_pred_DTR_train = decision_tree_reg.predict(X_train)
         # Prediction with testing dataset:
         y_pred_DTR_test = decision_tree_reg.predict(X_test)
         # Find training accuracy for this model:
         accuracy_DTR_train = r2_score(y_train, y_pred_DTR_train)
         print("Training Accuracy for Decision Tree Regression Model: ", accuracy_DTR_train)
         # Find testing accuracy for this model:
         accuracy_DTR_test = r2_score(y_test, y_pred_DTR_test)
         print("Testing Accuracy for Decision Tree Regression Model: ", accuracy_DTR_test)
         # Find RMSE for training data:
         RMSE_DTR_train = sqrt(mean_squared_error(y_train, y_pred_DTR_train))
         print("RMSE for Training Data: ", RMSE_DTR_train)
         # Find RMSE for testing data:
         RMSE_DTR_test = sqrt(mean_squared_error(y_test, y_pred_DTR_test))
         print("RMSE for Testing Data: ", RMSE_DTR_test)
         # Prediction with 10-Fold Cross Validation:
         y_pred_cv_DTR = cross_val_predict(decision_tree_reg, X, y, cv=10)
         # Find accuracy after 10-Fold Cross Validation
         accuracy_cv_DTR = r2_score(y, y_pred_cv_DTR)
         print("Accuracy for 10-Fold Cross Predicted Decision Tree Regression Model: ", accu
        Training Accuracy for Decision Tree Regression Model: 0.8694256791947466
        Testing Accuracy for Decision Tree Regression Model: 0.8711939682763064
        RMSE for Training Data: 4319.5096631798915
        RMSE for Testing Data: 4503.167201972113
        Accuracy for 10-Fold Cross Predicted Decision Tree Regression Model: 0.849424103159
        5924
```

#### **Evaluating Random Forest Regression Model**

```
In [97]: # Prediction with training dataset:
    y_pred_RFR_train = random_forest_reg.predict(X_train)

# Prediction with testing dataset:
    y_pred_RFR_test = random_forest_reg.predict(X_test)

# Find training accuracy for this model:
    accuracy_RFR_train = r2_score(y_train, y_pred_RFR_train)
```

```
print("Training Accuracy for Random Forest Regression Model: ", accuracy_RFR_train)
 # Find testing accuracy for this model:
 accuracy_RFR_test = r2_score(y_test, y_pred_RFR_test)
 print("Testing Accuracy for Random Forest Regression Model: ", accuracy_RFR_test)
 # Find RMSE for training data:
 RMSE_RFR_train = sqrt(mean_squared_error(y_train, y_pred_RFR_train))
 print("RMSE for Training Data: ", RMSE RFR train)
 # Find RMSE for testing data:
 RMSE_RFR_test = sqrt(mean_squared_error(y_test, y_pred_RFR_test))
 print("RMSE for Testing Data: ", RMSE_RFR_test)
 # Prediction with 10-Fold Cross Validation:
 y_pred_cv_RFR = cross_val_predict(random_forest_reg, X, y, cv=10)
 # Find accuracy after 10-Fold Cross Validation
 accuracy_cv_RFR = r2_score(y, y_pred_cv_RFR)
 print("Accuracy for 10-Fold Cross Predicted Random Forest Regression Model: ", accu
Training Accuracy for Random Forest Regression Model: 0.8786315807304423
Testing Accuracy for Random Forest Regression Model: 0.8969061711453914
RMSE for Training Data: 4164.457266795271
RMSE for Testing Data: 4028.7127866662904
Accuracy for 10-Fold Cross Predicted Random Forest Regression Model: 0.857378869678
```

#### **Evaluating Support Vector Regression Model**

```
In [99]: # Prediction with training dataset:
         y_pred_SVR_train = support_vector_reg.predict(X_train)
         # Prediction with testing dataset:
         y_pred_SVR_test = support_vector_reg.predict(X_test)
         # Find training accuracy for this model:
         accuracy_SVR_train = r2_score(y_train, y_pred_SVR_train)
         print("Training Accuracy for Support Vector Regression Model: ", accuracy_SVR_train
         # Find testing accuracy for this model:
         accuracy_SVR_test = r2_score(y_test, y_pred_SVR_test)
         print("Testing Accuracy for Support Vector Regression Model: ", accuracy_SVR_test)
         # Find RMSE for training data:
         RMSE_SVR_train = sqrt(mean_squared_error(y_train, y_pred_SVR_train))
         print("RMSE for Training Data: ", RMSE_SVR_train)
         # Find RMSE for testing data:
         RMSE_SVR_test = sqrt(mean_squared_error(y_test, y_pred_SVR_test))
         print("RMSE for Testing Data: ", RMSE_SVR_test)
         # Prediction with 10-Fold Cross Validation:
         y_pred_cv_SVR = cross_val_predict(support_vector_reg, X, y, cv=10)
```

```
# Find accuracy after 10-Fold Cross Validation
accuracy_cv_SVR = r2_score(y, y_pred_cv_SVR)
print("Accuracy for 10-Fold Cross Predicted Support Vector Regression Model: ", acc
```

Training Accuracy for Support Vector Regression Model: 0.6522181188488032 Testing Accuracy for Support Vector Regression Model: 0.734317356160165

RMSE for Training Data: 7049.511742429496 RMSE for Testing Data: 6467.427432129216

Accuracy for 10-Fold Cross Predicted Support Vector Regression Model: 0.70581312219

77515

In [100...

Out[100...

	Parameters	Training Accuracy	Testing Accuracy	Training RMSE	Testing RMSE	10-Fold Score
Multiple Linear Regression	fit_intercept=False	-0.489561	-0.324110	14589.307283	14438.166279	0.717113
Polynomial Regression	fit_intercept=False	0.835507	0.881007	4848.181812	4328.226695	0.839107
Decision Tree Regression	max_depth=5	0.869426	0.871194	4319.509663	4503.167202	0.849424
Random Forest Regression	n_estimators=400, max_depth=5	0.878632	0.896906	4164.457267	4028.712787	0.857379
Support Vector Regression	kernel="linear", C=1000	0.652218	0.734317	7049.511742	6467.427432	0.705813

### Our best classifier is our Random Forests using 400 estimators and a max\_depth of 5

R^2 (coefficient of determination) regression score function.

Best possible score is 1.0 and it can be negative (because the model can be arbitrarily worse). A constant model that always predicts the expected value of y, disregarding the input features, would get a R^2 score of 0.0.

## Let's test our best regression on some new data

```
input_data = { 'age': [35],
In [107...
                         'sex': ['male'],
                         'bmi': [26],
                         'children': [0],
                         'smoker': ['no'],
                         'region': ['southeast']}
          input_data = pd.DataFrame(input_data)
          input_data
Out[107...
             age
                   sex bmi children smoker
                                                 region
              35 male
                         26
                                          no southeast
In [109...
          # Our simple pre-processing
          input_data.drop(["region"], axis=1, inplace=True)
          input_data['sex'] = input_data['sex'].map(lambda s :1 if s == 'female' else 0)
          input_data['smoker'] = input_data['smoker'].map(lambda s :1 if s == 'yes' else 0)
          input_data
Out[109...
             age sex bmi children smoker
                                          0
          0 35
                    0
                        26
                                  0
In [111...
          # Scale our input data
          input_data = sc.transform(input_data)
          input_data
Out[111... array([[-0.30137763, -1.01506865, -0.75753763, -0.89214407, -0.50373604]])
          # Reshape our input data in the format required by sklearn models
In [113...
          input_data = input_data.reshape(1, -1)
          print(input_data.shape)
          input_data
         (1, 5)
Out[113... array([[-0.30137763, -1.01506865, -0.75753763, -0.89214407, -0.50373604]])
         # Get our predicted insurance rate for our new customer
In [115...
          random_forest_reg.predict(input_data)
Out[115... array([5961.85333748])
```