

Predict Customer Life-time Value for an Auto Insurance Company

Objective:

- 1) For an Auto Insurance company, predict the customer life time value (CLV). CLV is the total revenue the client will derive from their entire relationship with a customer. Because we don't know how long each customer relationship will be, we make a good estimate and state CLV as a periodic value — that is, we usually say “this customer's 12-month (or 24-month, etc) CLV is \$x”.
- 2) The client also wants to know the types of customers that would generally give us more revenue.

Suggested Approach:

- 1) Understand the variables in the data set and study about the Industry.
- 2) Create hypothesis and validate
- 3) Identify the statistical model to use (compare pros / cons of different models before accepting a model to follow)
- 4) Clean the data set
- 5) Divide the data set into two parts:- Development Sample & Validation Sample.
- 6) Run model
- 7) Check which variables are significant (don't forget the business reasons).
- 8) Do different statistical tests.
- 9) Create a business report with your final recommendations / insights.