

Allied World Presentation: Motor Third-Party Liability Claims Analysis and Prediction

Yi-Pei Chan

5 Feb. 2021

Allied World
Presentation:
Motor
Third-Party
Liability Claims
Analysis and
Prediction

Yi-Pei Chan

Project Concept

Data Exploration

The Dataset

Data Visualization

Model &
Prediction

Poisson GLM

Model &
Prediction

Poisson GLM

Poisson Lasso & Ridge

Gradient Boosting
Model

Final Validation

Q & A

Link to complete code and analysis :
<https://yipeichan.github.io/claims.html>

Project Concept

- ▶ Problem to solve :
How can we predict the number of claims a policyholder would file, given his age, his car brand, and so on ?
- ▶ My approach to solve the problem :
 1. Explore the structure and properties of the dataset
 2. Choose the proper models to answer the question
- ▶ Methodology :
After exploring the data with visualizations,
 1. Generalized Poisson Linear Model
 2. Poisson Lasso Regression, Poisson Ridge Regression
 3. Gradient Boosting Model
- ▶ Goals achieved by this project :
 1. Explored relationships between the risk factors and ranked the influences of risk factors on claim numbers
 2. Investigated the efficacy of using modern machine learning algorithms to do P&C ratemaking
 3. Make your hiring decision easier !

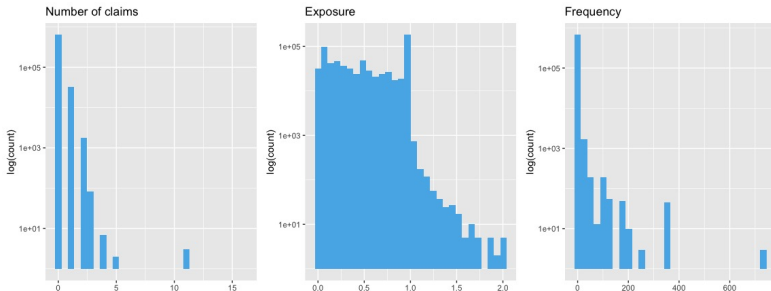
Data Exploration- The Dataset

- ▶ CASdatasets Package :
Proposed by Christophe Dutang¹ on OpenML
- ▶ Used in this study is freMTPL2freq dataset :
 1. Risk features were collected from motor third-party liability policies in France
 2. 678,013 samples, 12 explanatory variables

Variable Name	Description	Key
IDpol	Policy ID	(link with the claims dataset)
ClaimNb	Number of claims during the exposure period	
Exposure	Period of exposure (in years)	
VehPower	Power of the car	
VehAge	Vehicle age (in years)	
DrivAge	Driver age (in years)	
BonusMalus	Bonus/malus, between 50 and 350	<100: bonus; >100: malus in France
VehBrand	Car brand	Unknown categories
VehGas	Car gas	Diesel or regular
Area	Density value of the city where the car driver lives in	"A" for rural to "F" for urban centre
Density	Density of inhabitants of the city where the car driver lives in	Number of inhabitants per square-kilometer
Region	Policy region in France	

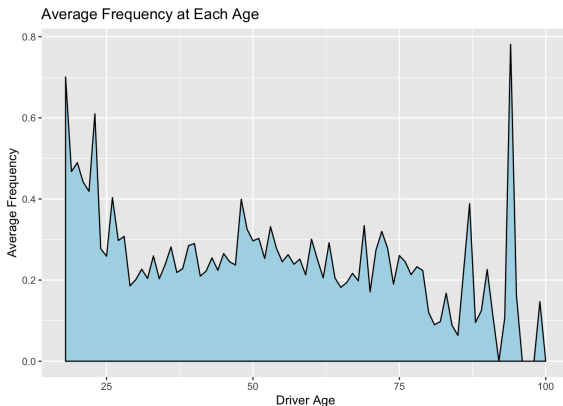
Data Exploration - Visualization

- ▶ Among the 678,013 policies, there were 34,060 filed claims, i.e. 5.02% notified claims.
- ▶ Potential Problems :
 1. Mean should equal to Variance in Poisson distribution
⇒ Use Negative binomial if Overdispersed
 2. More 0s than are expected in Poisson regression ?
⇒ Incorporate the logit model for predicting excess 0s
 3. Varied exposure periods (observations not comparable)
⇒ Add offset of Exposure term to the model



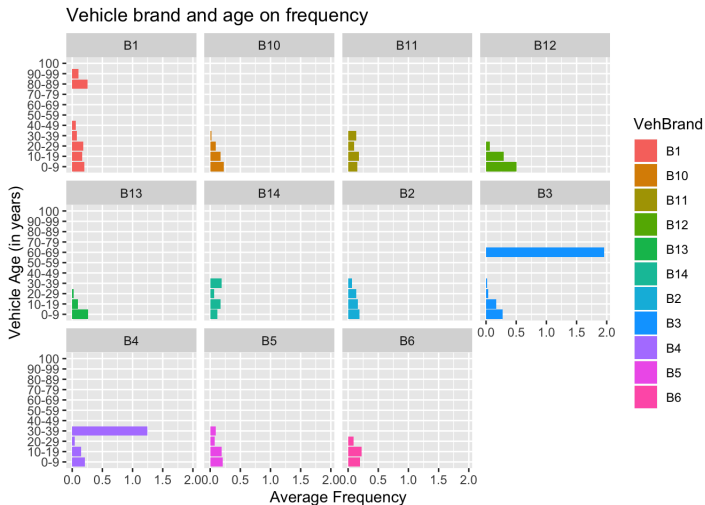
Data Exploration - Visualization

- ▶ Exposure : the duration of the insurance coverage
- ▶ Claim frequency : claim count per unit of exposure
- ▶ Did driver age influence frequency?
 1. The highest mean frequency happens at age 94
 2. Drivers between age 18 to 23 tend to have higher mean frequency



Data Exploration - Visualization

► Did vehicle brand and age influence frequency?



Allied World
Presentation:
Motor
Third-Party
Liability Claims
Analysis and
Prediction

Yi-Pei Chan

Project Concept

Data Exploration

The Dataset

Data Visualization

Model &
Prediction

Poisson GLM

Model &
Prediction

Poisson GLM

Poisson Lasso & Ridge

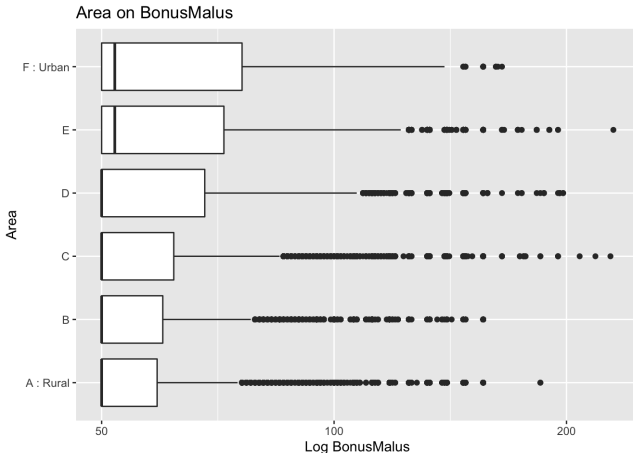
Gradient Boosting
Model

Final Validation

Q & A

Data Exploration - Visualization

- What is the relationship between area and bonus-malus?



Allied World
Presentation:
Motor
Third-Party
Liability Claims
Analysis and
Prediction

Yi-Pei Chan

Project Concept

Data Exploration

The Dataset

Data Visualization

Model &
Prediction

Poisson GLM

Model &
Prediction

Poisson GLM

Poisson Lasso & Ridge

Gradient Boosting
Model

Final Validation

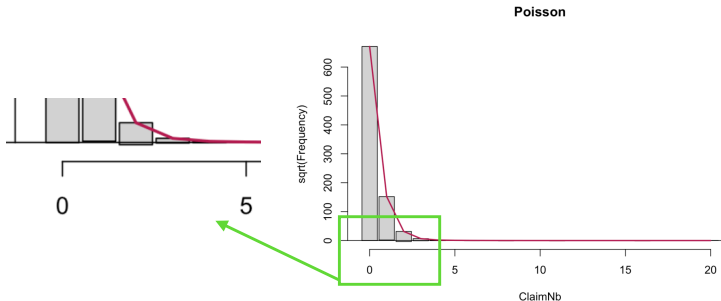
Q & A

Model and Prediction - Poisson GLM

Allied World
Presentation:
Motor
Third-Party
Liability Claims
Analysis and
Prediction

Yi-Pei Chan

- ▶ Hanging rootogram :
Only 2 count is a little under predicted



Project Concept

Data Exploration

The Dataset

Data Visualization

Model &
Prediction

Poisson GLM

Model &
Prediction

Poisson GLM

Poisson Lasso & Ridge

Gradient Boosting
Model

Final Validation

Q & A

Model & Prediction - Poisson Lasso & Ridge Regression

Allied World
Presentation:
Motor
Third-Party
Liability Claims
Analysis and
Prediction

Yi-Pei Chan

Project Concept

Data Exploration

The Dataset
Data Visualization

Model &
Prediction

Poisson GLM

Model &
Prediction

Poisson GLM

Poisson Lasso & Ridge

Gradient Boosting
Model

Final Validation

Q & A

```
glm.ridge$lambda.min; coef(glm.ridge, s = "lambda.min")
```

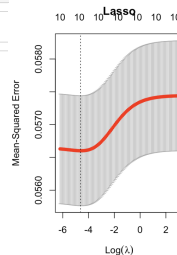
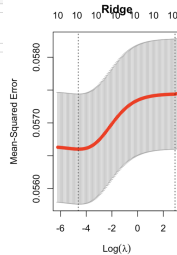
```
## [1] 0.009804138
```

```
## 11 x 1 sparse Matrix of class "dgCMatrix"  
##              1  
## (Intercept) -2.9270950727  
## Exposure    -1.0400993812  
## VehPower     0.0061349023  
## VehAge       -0.0263678397  
## DrivAge       0.0060848768  
## BonusMalus    0.0169722817  
## VehBrand     -0.0010265539  
## VehGas        0.0502432492  
## Area          0.0169615264  
## Density       0.0194397589  
## Region       -0.0009442549
```

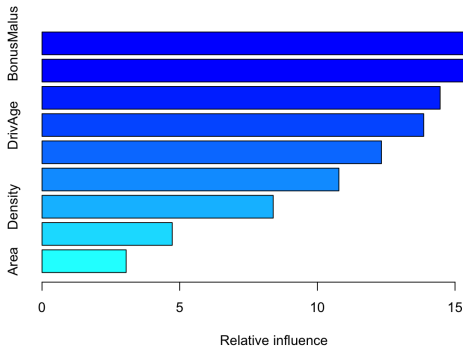
```
glm.lasso$lambda.min; coef(glm.lasso, s = "lambda.min")
```

```
## [1] 0.001635429
```

```
## 11 x 1 sparse Matrix of class "dgCMatrix"  
##              1  
## (Intercept) -2.696642397  
## Exposure    -1.193913018  
## VehPower     .  
## VehAge       -0.024586132  
## DrivAge       0.006071144  
## BonusMalus    0.017390359  
## VehBrand     .  
## VehGas        0.004379296  
## Area          .  
## Density       0.016603390  
## Region       .
```



Model & Prediction - Gradient Boosting Model



	var	rel.inf
BonusMalus	17.014808	
Region	15.372979	
VehAge	14.459134	
DrivAge	13.862481	
VehBrand	12.328304	
VehPower	10.782009	
Density	8.396521	
VehGas	4.728894	
Area	3.054871	

Allied World
Presentation:
Motor
Third-Party
Liability Claims
Analysis and
Prediction

Yi-Pei Chan

Project Concept

Data Exploration

The Dataset

Data Visualization

Model &
Prediction

Poisson GLM

Model &
Prediction

Poisson GLM

Poisson Lasso & Ridge

**Gradient Boosting
Model**

Final Validation

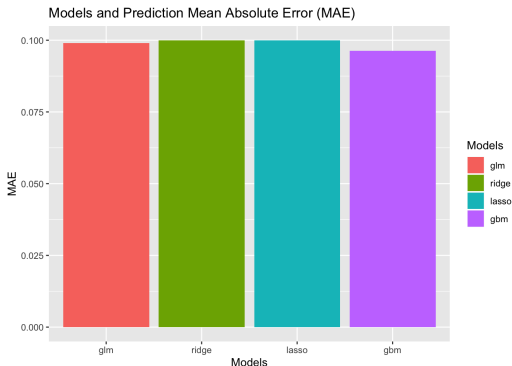
Q & A

Final Validation

Use the test set to find the best fitting model

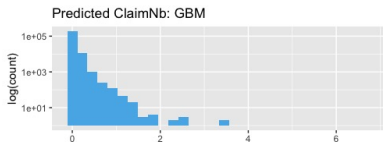
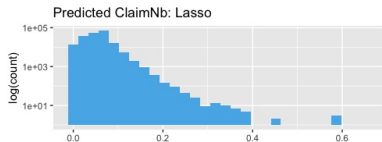
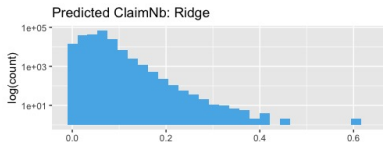
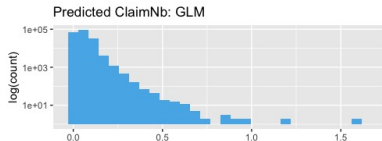
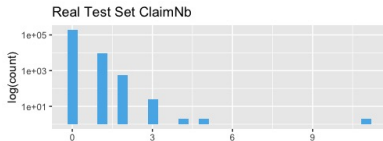
► The claim number prediction MAE for test set with

1. Poisson GLM : 0.09905573
2. Poisson Ridge GLM : 0.09988506
3. Poisson Lasso GLM : 0.09996999
4. Gradient Boosting Model : 0.09630762



Final Validation

Evaluation of the Predicted Number of Claims in the Test Set



Allied World
Presentation:
Motor
Third-Party
Liability Claims
Analysis and
Prediction

Yi-Pei Chan

Project Concept

Data Exploration

The Dataset

Data Visualization

Model &
Prediction

Poisson GLM

Model &
Prediction

Poisson GLM

Poisson Lasso & Ridge

Gradient Boosting
Model

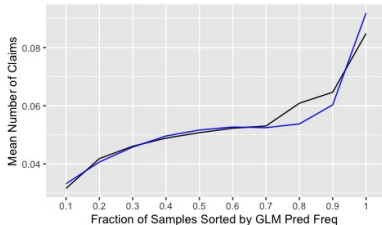
Final Validation

Q & A

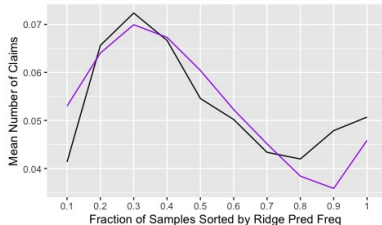
Final Validation

Evaluation of the Predicted Number of Claims in the Test Set

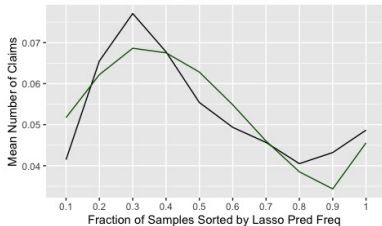
Real v.s. GLM Pred ClaimNb (blue)



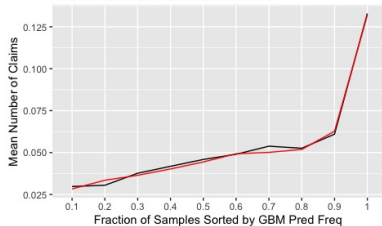
Real v.s. Ridge Pred ClaimNb (purple)



Real v.s. Lasso Pred ClaimNb (green)



Real v.s. GBM Pred ClaimNb (red)



Allied World
Presentation:
Motor
Third-Party
Liability Claims
Analysis and
Prediction

Yi-Pei Chan

Project Concept

Data Exploration

The Dataset

Data Visualization

Model &
Prediction

Poisson GLM

Model &
Prediction

Poisson GLM

Poisson Lasso & Ridge

Gradient Boosting
Model

Final Validation

Q & A

Q & A

Link to complete code :

<https://yipeichan.github.io/claims.html>