

# Why eMod Errors Are So Prevalent

## 1 Complex Calculations

- The eMod isn't just a single number—it's a *formula that combines hundreds of data points*:
    - Claim frequency
    - Claim severity
    - Classification codes
    - Payroll by classification
    - Expected losses for your industry
    - Actual losses
    - Split points (which separate small and large losses)
  - One small mistake anywhere in the chain skews the final rating.
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## 2 Data Entry and Reporting Errors

- Insurance carriers, rating bureaus, and sometimes even your broker submit data manually.
  - Common slip-ups:
    - A claim is reported twice.
    - Reserves on a claim never get updated when the claim closes.
    - Payroll is classified incorrectly (e.g., higher-risk code than it should be).
    - Incorrect unit statistical reports filed with NCCI or your state's rating bureau.
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### **3 Open Claim Reserves**

- Carriers estimate what a claim *might* cost in the future (the “reserve”).
  - If a claim reserve stays artificially high (and doesn’t get reduced when it should), your eMod stays inflated.
  - Nobody proactively notifies you to fix it—*you have to catch it yourself*.
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### **4 Lack of Oversight**

- Many companies assume their broker or carrier will audit for accuracy, but:
    - Brokers rarely have incentive (or resources) to manually audit every factor.
    - Carriers don’t benefit by lowering your premium.
  - So these errors often sit unnoticed for years.
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### **5 Frequent Policy Changes**

- If you’ve had:
    - Multiple carriers over time
    - Mergers/acquisitions
    - Reorganizations
  - Data can get lost, mismatched, or miscoded.
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### **6 No Built-In Correction Process**

- Even if you notice an error, you have a limited window to challenge it (usually during the rating period or within a certain number of years).

- Most companies don't realize this until it's too late.
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## **What This Means**

All these factors combine to create a *perfect storm* of hidden overcharges.

That's why specialized auditors like SMP CompWize and systems like the **CompWize software** exist—to methodically review historical data, uncover errors, and recover refunds.