- ✓ Agents training and recruitment,
- ✓ Commissions of agents,
- ✓ Staff salaries,
- ✓ Office accommodation,
- ✓ Office stationery,
- ✓ Electricity charges,
- ✓ Other miscellaneous etc.

All these have to be paid from premiums that are collected by insurers. These expenses are loaded to the net premium.

A life insurer incurs two types of expenses:

i. The first, known as "**New Business Expenses**", are incurred at the beginning stage of the contract.
ii. The second type of expenses, known as "**Renewal Expenses,**" is incurred during subsequent years.

Initial or new business expenses can be substantial. Life insurers are also required by law to hold certain margins as reserves to ensure they can meet their obligations even in those situations when their actual experience is worse than assumed. The initial expenses along with the margins required to be maintained as reserves are typically higher than the initial premiums received by the life insurer.

c) With Profit policies and Bonus loading

During the early years of the life insurance industry, the major uncertainty faced was about the rate of mortality. Life insurers solved the problem by charging excessive premiums in advance. This would ensure that they remained solvent even in adverse situations. When, in the light of sufficient experience, it was found that the premiums were higher than what was needed, life insurers would return the excess or some of it to policyholders by way of bonus additions. This was the origin of the traditional with profit policies we find today

Participation in profits also ushered an element called "**Bonus Loading**" into premiums. The idea was to provide a margin for profits as a loading in the premium, such that it served as an added cushion against unforeseen contingencies and also paid for the policy's share of surplus distributed (as bonus).

In sum we can say that:

Gross premium = Net premium + Loading for expenses + Loading for contingencies + Bonus loading

3. Bonus