* Loss of Profit Policy :–

1. Period of Indemnity :–

The period during which the sales are expected to be affected due to ~~the~~ fire is stated in the policy is known as Indemnity period.
The Period of Dislocation (Restore period) (Actual period Required to Restore the Original position of Business) or Indemnity period whichever is Less that periods sales are considered for calculation of claim.

2. Short Sales :–

For the deciding the expected sales during indemnity /dislocation period, sales ~~comes~~ during the Corresponding period in the last year are taken as base and they are adjusted if necessary i.e. Increase or decrease according to the trend of sales during current year up to the date of fire.

Short Sales = Estimated or expected sales during the period of Indemnity. – Actual sales during the period of Indemnity

3. Percentages –

i) Earning or Gross profit Ratio = $\dfrac{\text{Net profit + Insured Standing charges (of Last trading years)}}{\text{Sales of Last trading year}} \times 100$

Note :– Standing charges means fixed charges (fixed expenses). Expenses which are fixed and not changeable with change in production or sales i.e. wages of skilled workers, salary of permanent staff, Rent, Rates, Taxes, Insurance, Director's fee's, Auditors fee's, Int. on Loan, Depreciation minimum charges of Lighting etc.

ii) Indemnity Ratio = $\dfrac{\text{Sum Insured (policy Amt.)}}{\text{(Adjusted) Sales for 12 months preceding the date of fire (known as standard sales)}} \times 100$