



→ Period of Interruption : Date of fire → Date from which sale is normal

→ Period of Indemnity : Ins. co. actually compensates.

→ Claim for loss of profit over -

- i) Loss of Net Profit
- ii) Any increase in Cost of Working/Additional Expenditure.

→ Insured standing Charges - Int. on Debt, Loan, Bank O/D, Rent, Salary of Permanent Staff, Wages of Skilled Employee, etc.

→ Adjusted Annual Turnover (AAT) = Annual Turnover (±) Trend.

<u>Step 1</u> :	Std. Turnover	xxx
	(±) Trend	xxx
	(-) Actual Turnover	<u>xxx</u>
	Short Sales	<u>xxx</u>

$$\text{Trend} = \frac{\text{Sale in Current F.Y.} - \text{Sale in Previous F.Y.}}{\text{Sale in Previous F.Y. same period.}}$$

Step 2 : G.P. Ratio = $\frac{\text{N.P. of Previous Year} + \text{Insured Standing Charges}}{\text{Turnover of P.Y.}} \times 100$

Step 3 : Loss of Profit = $\frac{\text{Short Sales}}{\text{(Step 1)}} \times \frac{\text{G.P. Ratio}}{\text{(Step 2)}}$

Step 4 : Claim for Additional Expenses — Lowest of the following:

- i) Actual Additional Expenses
- ii) (Additional Sales during dislocation/Reduction in sale avoided) \times G.P. Ratio
- iii) $\frac{\text{Actual Additional Exp.} \times [\text{AAT} \times \text{GP Ratio}]}{[\text{AAT} \times \text{GP Ratio}] + \text{Uninsured Standing Charges}}$

Step 5 : Total Loss of Profit

Loss of Profit [Step 3]	xxx
(+) Additional Expenses [Step 4]	xxx
(-) Savings on Insured Standing Charges	xxx
Total Loss of Profit	<u>xxx</u>

Step 6 : Total Claim

$$\text{Total Claim} = \frac{\text{Total Loss of Profit (Step 5)}}{[\text{AAT} \times \text{GP Ratio}]} \times \text{Policy Amt.}$$