

# Exploration of Legal Issues and Improvement Paths of Logistics Insurance Contracts

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**Abstract:** The vigorous development of the modern logistics industry has increasingly highlighted the importance of logistics insurance contracts. However, their unique compound characteristics have also given rise to a series of challenges in legal application. This paper aims to systematically analyze the core legal issues faced by logistics insurance contracts, mainly including the ambiguity of contract nature and legal application rules, the complexity of the determination of insurable interest and the insured subject, as well as the lack of fairness caused by standard clauses. In response to these issues, the study proposes corresponding paths for legal improvement, specifically including clarifying their legal positioning and application rules, innovating the mechanisms for determining insurable interest and the subject, and standardizing the content and interpretation principles of standard clauses. By exploring these paths, it is expected to provide theoretical reference and practical guidance for promoting the standardization and healthy development of the logistics insurance market.

**Keywords:** Logistics; Insurance Contract; Legal Issues; Improvement Paths

## 1. Introduction

With the rapid development of modern logistics industry, logistics insurance, as an important financial tool to disperse and transfer all kinds of risks in the process of logistics operation, plays an increasingly prominent role. Logistics insurance contract, as the core legal document regulating the rights and obligations of both parties, constitutes the basis of logistics insurance system. However, compared with the rapid development of logistics industry practice, the legal regulation system of adjusting logistics insurance contract shows certain lag and inadaptability [1]. Logistics services have the characteristics of many links, many participating entities, and strong complexity of transportation methods, which makes insurance contracts based on them easy to cause disputes in terms of legal attributes. Whether they belong to property insurance, liability insurance, or mixed contracts with multiple attributes There is no consensus in theory or practice on hybrid contracts. This ambiguity of fundamental orientation directly leads to uncertainty in the application of law. In addition, the definition of insurance interest in contract relationship, the identification of eligible insured subject and the fairness query caused by widely used standard clauses have become realistic legal dilemmas restricting the healthy development of logistics insurance market [2]. Therefore, it is of great theoretical value and practical significance to systematically sort out the legal problems faced by logistics insurance contracts and explore their legal perfection paths for clarifying the expectations of all parties, standardizing the market order, and promoting the deep integration and coordinated development of logistics and insurance industries.

## 2. Legal Overview of Logistics Insurance Contract

Logistics insurance contract is a compound insurance arrangement produced to adapt to the development of modern logistics industry. Its legal connotation is different from traditional property or transportation insurance contract. This kind of contract takes the whole process of logistics service as the guarantee object, and the insured object can cover the cargo itself, the liability risk of logistics enterprise and even the related cost loss, showing the typical characteristics of mixture and risk synthesis of the object [3]. Its legal relationship involves shippers, logistics operators, various actual performers and insurers, and the structure of rights and obligations is more complex due to the connection of logistics links. Examined from the legal nature, it is not a simple superposition of several

traditional insurance types, but a new insurance contract based on the integrity and indivisibility of logistics operation. This essential characteristic determines its particularity in law application, party identification and liability division, and also constitutes the root of relevant legal problems.

The legal basis of logistics insurance contract is deeply rooted in the intersection of contract law and insurance law, and is significantly influenced by commercial customs [4]. Its conclusion, entry into force, performance and termination shall first comply with the basic principles of expression of will, freedom of contract, fairness and good faith in the contract series of Civil Code of People's Republic of China, and at the same time strictly comply with the special provisions of Insurance Law on insurance contract, such as truthful disclosure obligation, insurance liability scope, insurer exemption conditions, etc. However, due to its complexity, the application of specific rules is often faced with choice dilemmas, for example, whether the standard for determining loss of goods should refer to the rules of transportation contract or storage contract, or develop independent judgment standards, which is still uncertain.

From an international perspective, the development of logistics insurance is closely linked to the prosperity of international trade and global supply chain [5]. Many developed markets and international insurance organizations, such as the Joint Cargo Insurance Board, have introduced or attempted to promote standardized logistics insurance clauses, such as LSP All Risks Insurance, designed to provide a package of protection for complex logistics activities across borders. These international practices have accumulated rich experience in insurance coverage, liability limitation and claim procedure, which has important reference value for perfecting the legal rules of logistics insurance contract in China. For example, its approach in dealing with conflicts of law application in the context of multimodal transport and defining the boundaries of "logistics operator" liability and insurer liability deserve in-depth study.

The legal effect of logistics insurance contract not only extends to both parties of the contract, but also affects the rights and interests of the consignee and the payment bank (in the L/C transaction) who have not signed the contract directly by means of "for the benefit of the third-party clause" or the transfer of creditor's rights stipulated by law. This makes it necessary to study the breakthrough phenomenon of relativity principle in this kind of contract. When the insurer exercises the subrogation right against the subcontractor who actually caused the loss after the accident, it is also complicated by the "circular recovery" or liability exemption clauses that often exist in the logistics contract chain, which constitutes a unique challenge in the legal practice of logistics insurance.

### **3. Legal Issues of Logistics Insurance Contract**

#### ***3.1 Unclear nature of contract and application of law***

The primary problem that logistics insurance contract faces in legal practice lies in the ambiguity of its nature and the dilemma of law application caused by it. Because logistics service itself runs through many links such as transportation, warehousing, loading and unloading, distribution, etc., contracts with logistics service as insurance object often involve both cargo ownership risk and logistics operator liability risk, which makes it difficult to be simply classified into traditional categories such as property insurance or liability insurance [6]. This kind of mixed characteristic leads to great differences in the identification of contract nature in judicial practice, which makes the application of law full of uncertainty. When disputes occur, there is no clear guidance on whether to apply the general provisions of the Insurance Law, refer to the provisions on transportation contracts or storage contracts in the Civil Code, or give priority to special laws such as the Maritime Law. This kind of arbitrariness of law choice not only increases the unpredictability of the case handling result, but also brings potential risks to the rights and obligations of both parties of the contract, which becomes the basic legal obstacle restricting the development of logistics insurance market standardization.

#### ***3.2 Complicated identification of insurance interests and insured subjects***

The identification of insurance interest and insured subject in logistics insurance contract is particularly complex, which directly relates to the validity and enforceability of the contract. In the whole chain of logistics, the ownership and risk burden of goods may be transferred among shipper, consignee and actual carrier in different sections along with the progress of transportation and storage, resulting in dynamic changes of the subjects enjoying legal insurance interests for the same insurance subject [7]. The fluidity of such interests makes it difficult to clearly define a single, stable insured

subject at the time of contract formation. In practice, logistics enterprises often act as the policyholder of the whole insurance, but whether they enjoy legally recognized interests in all aspects of the goods, especially when they themselves may become responsible parties, is easy to cause disputes. The current legal framework lacks specific provisions on the identification standards of such dynamic and multi-interest subjects, resulting in ambiguity in the judgment of insurance eligibility. This uncertainty not only increases the legal risk that the contract is deemed invalid, but also lays a hidden danger of dispute for the attribution and exercise of claim rights after the insurance accident.

### 3.3 Format clauses lead to prominent fairness problems

The standard clauses commonly used in logistics insurance practice have aroused significant doubts about fairness. The contract text drawn up by the insurer in advance meets the demand of standardization and efficient treatment of insurance business, but the unilateralism of its formulation process easily leads to the loss of interest balance between the parties. The clauses tend to protect the insurer's interests to the maximum extent, which is manifested in vague definition of insurance coverage, too broad exemption items, strict claim procedures and improper emphasis on the insured's notification obligation. As the demander of risk transfer, the insured usually lacks the bargaining power in the process of contracting, and it is difficult to propose substantial modification to the contents of professional clauses, so its true intention expression is limited. This inequality of contracting status and asymmetry of information make the standard clause become a tool to restrict or exclude the main rights of the insured party. Although Civil Code and Insurance Law provide remedies such as prompt explanation obligation and adverse interpretation principle, there are still disputes on whether the clause is "unreasonable" to exempt or reduce the insurer's liability and aggravate the liability of the other party in specific disputes, and there is uncertainty in judicial discretion, which further highlights the urgency of strengthening the fairness examination and regulation of standard clauses by legal means.

## 4. Legal Perfection Path of Logistics Insurance Contract

Table 1 outlining the core legal issues identified and their corresponding proposed improvement paths is presented below for clarity.

*Table 1 Core Legal Issues and Corresponding Improvement Paths for Logistics Insurance Contracts*

Core Legal Issues	Proposed Improvement Paths	Key Points of the Paths
<b>1. Unclear Nature of Contract and Application of Law</b>	<b>Clarify Legal Positioning and Applicable Rules</b>	• Legally recognize it as an independent new type of commercial insurance contract.
		• Establish flexible criteria for judging legal attributes based on the contract's primary purposed.
		• Construct a hierarchical legal application system combining general law, special provisions, and specific domain laws.
<b>2. Complicated Identification of Insurance Interests and Insured Subjects</b>	<b>Innovate Interests and Subject Identification Mechanisms</b>	• Introduce the concept of "floating insurable interest" to accommodate the dynamic nature of interests in the logistics chain.
		• Explicitly allow and standardize multi-party insurance models.
		• Explore mechanisms for insurance coverage to automatically extend to subsequent interested parties upon legal transfer of interest.
<b>3. Fairness Problems Caused by Standard Clauses</b>	<b>Regulate the Content and Interpretation of Standard Clauses</b>	• <b>Ex-ante Regulation:</b> Develop model clauses, establish compulsory filing, and conduct neutral fairness reviews.
		• <b>Ex-post Interpretation:</b> Adhere to the interpretation principle favorable to the insured, incorporate the "reasonable expectation principle".

### 4.1 Clarify legal positioning and applicable rules

The fundamental premise to solve the legal problems of logistics insurance contract lies in defining its legal position and constructing clear applicable rules from the legislative level. The disputes in current judicial practice mostly stem from the fuzzy understanding of the nature of the contract [8]. Logistics service is a compound business integrating multiple functions, and the insurance contract

based on logistics service transcends the category of traditional single insurance. Therefore, it is not appropriate to force it into the existing framework of property insurance or liability insurance, but to formally recognize its status as an independent new type of commercial insurance contract in law. This characterization does not create a completely new legal department, but gives an accurate definition based on its inherent characteristics, laying the foundation for subsequent legal application.

On the premise of definite independent status, flexible criteria for judging legal attribute can be established through legislative interpretation or judicial interpretation. It is feasible to distinguish the core object of contract from the purpose of contracting. When the contract mainly guarantees the cargo safety of the cargo owner, it should be recognized as property insurance and relevant rules should be applied; if it mainly aims at transferring the compensation liability risk of the logistics operator, its liability insurance attribute is more prominent and corresponding principles should be applied. This distinction method can reflect the true intention of the parties and the economic function of the contract more accurately [9].

It is very important to construct a distinct legal application system. It is necessary to establish the basic status of the Insurance Law as a general law, and its general provisions and general provisions on insurance contracts are universally applicable. In view of the particularity of logistics insurance, we should consider adding special chapters when revising the Insurance Law, or formulating special administrative regulations to make special provisions on the rights and obligations of the parties and the judgment of insurance interests. When it comes to specific transportation sectors such as sea transportation and air transportation, if there are mandatory provisions in special laws such as Maritime Law and Civil Aviation Law, the principle of *lex specialis* priority should be followed. By establishing a legal application system combining general law, special provisions and special laws in specific fields, it can respect the complexity of logistics insurance, provide stable and predictable guidance for judicial practice and commercial transactions, and fundamentally promote the standardized development of logistics insurance market.

#### ***4.2 Innovative interests and subject identification mechanism***

In order to solve the legal dilemma caused by the liquidity of insurance interests and the diversity of insurance entities in logistics insurance, it is necessary to innovate the existing interest and entity identification mechanism. The core idea is to break through the strict and static attribution relationship required by traditional insurance law to construct a more flexible legal framework in line with logistics business practice. The concept of "floating insurable interest" can be introduced to recognize that multiple subjects may have legally recognized interests in the subject matter of insurance successively or simultaneously at different stages of the logistics chain. This provides a legal basis for the logistics operator, as a provider of the overall scheme, to insure against risks incurred during its control of the goods, whether arising from its actual control responsibility over the goods or its contractual liability to the owner.

On the identification of insured subject, multi-party insurance mode should be clearly allowed and standardized. For example, cargo owners can be regarded as core insured persons, logistics operators and other interested parties can be listed as co-insured persons or additional insured persons, and their respective rights scope and exercise order under the contract can be clarified. At the same time, drawing lessons from the experience of "loss indemnity clause" in international cargo transportation insurance, we explore a mechanism to make insurance protection automatically extend to subsequent interested parties along with the legal transfer of insurance interests in the logistics chain, so as to reduce the complexity and risk of repeatedly concluding or changing contracts due to the change of subject. This kind of mechanism innovation aims to ensure the seriousness of the principle of insurance interest and fully respond to the dynamic and continuous characteristics of logistics business through the adaptive adjustment of legal rules, so as to meet the reasonable risk protection needs of multiple subjects on the premise of ensuring the stability of contract effectiveness.

#### ***4.3 Content and interpretation of standard format clauses***

In order to effectively deal with the fairness query caused by the standard clauses of logistics insurance contract, it is necessary to construct a systematic normative path from two aspects: *ex ante* content regulation and *ex post* interpretation. Transparency and fairness requirements should be strengthened during the formulation and review stages of articles. Regulators or industry organizations can promote the development of model clauses or standard clauses guidelines for logistics insurance

contracts, proposing clear minimum fairness standards for core rights and obligations clauses, especially for key elements such as liability exemptions, claim procedures and prescription provisions. We shall encourage commonality and precision in the formulation of clauses, reduce vagueness and ambiguity, and ensure that ordinary parties can understand their meaning when exercising reasonable care obligations. We shall establish a compulsory filing and public evaluation mechanism for standard clauses, and a neutral third party will conduct a preliminary review of clauses that may be unfair, so as to curb the widespread use of unreasonable clauses from the source.

During the interpretation and application of the clauses, the principles of interpretation favorable to the insured should be adhered to and refined. When there are more than two reasonable interpretations of a standard clause, the interpretation unfavorable to the provider of the clause is only the last resort. More importantly, judicial practice should establish the complementary status of "reasonable expectation principle", that is, when the insured or insured has objective and reasonable expectation for the scope of protection, even if the terms are not explicitly covered, it should also comprehensively consider factors such as transaction background, industry practice and contracting purpose, and support its reasonable expectation under certain conditions. At the same time, the judge should take the initiative to examine the prompt explanation of the exemption clause in the case, and regard the principle of fairness and good faith as the final standard of substantive judgment, and declare invalid the clauses that excessively aggravate the other party's responsibility and exclude the other party's main rights. Through the double norms of content and interpretation, the aim is to reshape the fair-trade order in the field of logistics insurance contract, balance the contracting status of both parties, and promote the long-term healthy development of the market.

## 5. Conclusion

The perfection of logistics insurance contract legal system is a systematic project that needs legislation, judicature and industry practice to promote together. In the face of the realistic difficulties such as fuzzy nature of contract, diversified interest subjects and unfair standard clauses, only by making clear the legal orientation, innovating the recognition mechanism and strengthening the regulation of clauses can we effectively balance the interests of all parties and ensure the fairness of transaction. This will not only help solve the current legal disputes in the field of logistics insurance, but also create a good legal environment for the deep integration of logistics and insurance industry, and ultimately serve the high-quality development of modern logistics industry. Future research and practice should continue to pay attention to the development trends of the industry and continuously optimize relevant legal rules.

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