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CARGO INSURANCE IN RELATION TO BASIC PRINCIPLES OF CONTRACT LAW AND DURATION OF CARRIAGE

This article sets out the circumstances relevant for the basic principles of contract law applicable to the cargo insurance for carriage of goods by road and duration of carriage. The occasion that gave rise to this article is the contested judgement by the Supreme Court of Slovenia II Ips 110/2008 from January 14, 2010 by virtue of the passed Decision for revision of this judgement. The role of basic principles of law of contracts applicable to the insurance contract is specific having in mind that they apply to the insurance relations with distinct individual features and specific forms in which they may appear, for example with *uberrima fides*. In order that cargo insurance contract for carriage of goods by road can be concluded properly it is necessary to take into account how the duration of carriage has been legally regulated, as well as reasons for such regulation.

Key words: *basic principle of contract law, insurance contract, cargo insurance, Insurer, Insured, consignor, uberrima fides.*

1. Introduction

The starting point for this article was the legal opinion associated with the litigation in which the Supreme Court of Slovenia decided on judgement

II Ips 110/2008, by passing the Decision for revision. According to the law of contracts and torts, the main legal relationship giving rise to the this dispute commenced in 1993. The provisions of the law in effect at that time in the Republic of Slovenia established the duration of carriage. It should be noted that all those regulations have been superseded in the meantime by new regulations, however, they have not been amended concerning the material elements in the previous versions of the law.

The important question is whether the Supreme Court of Slovenia made the rightful judgement about the role of one party and the other party when the cargo insurance contract was concluded with regard to the basic principles of the Law on Contracts. The Supreme Court stated that the insurance period and period of coverage are the important elements that have to be included in the policy, and that is especially important in transport insurance with travel as a specific element. The risk to which the cargo will be exposed depends on the conditions and duration of carriage. It was specified that the duration of carriage should be explicitly stipulated, or, that carriage should be performed within prescribed or usual period. The duration of carriage should be differentiated from insurance period and coverage period. The coverage period is determined by the commencement and expiry of the security provided by the Insurer during which time the Insurer shall bear the consequences of the occurrence of loss or damage.

As for the interpretation of insurance policies, it was specified in the judgement that the general rules of the Law on Contracts applied to the insurance contract (Article 99 to Article 102 of the Law on Contracts and Torts) and that the parties in dispute placed no importance on the contents of the policy. Therefore the scope of policy was not disputable. The contents of the policy should be interpreted in a way that the policy is understood. The parties to the contract agreed, by noting it on the policy, the time limit within which the goods should be delivered and carriage ended. However, they agreed on the time limit by which the Insurer shall bear the insurance risk, and not the risk connected to possible failure to deliver goods at specified destination on agreed time. Here agreed time means the time by which the carriage must be finished. Therefore, the Insurer has undertaken to cover risks for the mentioned carriage only within the stipulated period.

In this case two dimensions should be taken into account, and I am uncertain whether the Supreme Court was aware of them during the proceedings. The first dimension is that the application for insurance was only signed by the Insured, and filled out by the Insurer (application and policy are dated 4 April 1997). The second dimension is that at least the Insured has in good faith concluded the cargo insurance contract in the manner which involves the

whole journey, from loading to unloading, which is also specified in the general terms and conditions of the Insurer. Namely the occurrence took place on 10 March 1997. In the practice of cargo insurance it is common for the contracting parties that the policy is sent by Insurer to the Policyholder (the forwarder) not earlier than in four days (consignor in carriage by road), and to the Insured not earlier than in 10 days or more.

2. Basic Principles of Insurance Contract Law

Basic principles of the Insurance Law which govern the subject legal relationship are set forth in the Law on Contracts and Torts[1]. The basic principles such as equality of parties to obligation relations, good faith and honesty, prohibition of misuse of rights, the principle of equal value of consideration, the prohibition of causing damage, responsibilities in performing obligations, conduct in carrying out obligations and respect of rights, application of fair trade custom etc. apply to insurance relations with different emphasis laid in individual cases, as well as to other legal relations[2].

Freedom in Setting up Obligation Relations

Freedom in setting up obligation relations represents the principle which is integrated in the Law on Insurance and it is relating to the question whether the parties should conclude the contract and in what form, which contents will be included in the contract, whether they should conclude the contract with specific features and the like. The determination of relations among parties should not be contrary to the constitutional principles, mandatory regulations and ethics. The Insured is limited in the choice of Insurer[3], in that who the Insurer can be, which is set forth in mandatory regulations of the Insurance Law[4]. In the real situation when the insurance contract is concluded, yet another limitation is always found on the side of the

1 *Official Gazette of SFRY No.* 29/1978, 39/1985, 2/1989, 65/1989, 57/1989. Considering the fact that Obligation Law (OZ) was superseded by the Law on Contracts and Torts (ZOR) as of 1 January 2002, and that subject relations commenced in 1997, the basic principles of contract law shall apply as definied under ZOR.

2 Pavliha, M, Simoniti, S, *Zavarovalno pravo*, GV založba, Ljubljana, 2007., page. 146.

3 Contracting parties are a Policyholder, Insurer who concludes the insurance, a person who has concluded insurance, Insurer who represent a risky community (insurance company) according to ZOR and Insured who is entitled to indemnity, or the agreed sum of money. This is in accordance with Flis (Flis S, Zbrani spisi, „O zavarovanju IV", Slovensko zavarovalno združenje, Ljubljana, 1999, page 87–94).

4 *Official Gazette of RS*, No. 64/1994, 35/1995-popr., 22/1997. The regulation does not apply from 2 March 2000 and it has been replaced by the provision in the Law on Insurance (ZZavar).

Insurer with respect to the contractual freedom, in the form of general and particular terms and conditions of insurance. If a special agreement is made in adhesion contract between the Insured and the Insurer, subject to the Item 5 Article 902 of the Law on Contracts and Torts, general and particular insurance terms and conditions shall apply. This provision should be read in connection with the Article 100 of the Law which sets out the following: Should a contract be concluded in conformity with a form printed in advance, or prepared and proposed in some other way by one of the contracting parties, unclear provisions shall be interpreted so as to benefit the other party. It is also important how those particular agreements have been concluded, which is elaborated in the following text.

The Principle of Good Faith and Honesty

When the obligation relations and rights are exercised, and when obligations arising from those relations are being fulfilled, the parties shall also be obliged to conform with the principle of good faith and honesty. This principle has its specific forms when insurance contracts are concluded, and one of the key principles is the *uberrima fides* principle (*utmost good faith*). It only implies that the highest level of good faith exists, which is especially confirmed in casuistry (legal and business practice). It is true that the bigger part of casuistry, in its nature, applies to the Insured and not to the Insurer. This is because the Insurer makes the insurance contract mainly based on the data and information provided by the Insured. Concurrently, the Insurer is contracting the insurance based on circumstances known to him or by public, though in theory and practice there is no dilemma of this principle being binding on both parties to the contract. Therefore, the Insured and the Insurer must act according to the *uberrima fides* principle.

Should the Insured be aware of any circumstances that might influence the Insurer in their decision whether or not to conclude the insurance contract (and if they do, under what terms and conditions), the Insured must notify the Insurer of them. The Insured shall be obliged to disclose all available data and the non-disclosure thereof, be that fraudulent act or not, shall influence the legal effectiveness of the policy.[5]

The Insurer cannot in all cases refer to untruthfulness and incompleteness of the notification. [6] The meaning of notifying circumstances lies in that the Insurer should be aware of the risk of the expected occurrence so

5 Ivamy Hardy E. R., General Principles of Insurance Law, London, 1970, str. 87–89

6 Cigoj, S, Komentar obligacijskih razmerij, Veliki komentar o obligacijskih razmerjih, IV book, Časopisni zavod Official Gazette of the Republic of Slovenia, Ljubljana, 1986, page. 2431.

that they can conclude the contractual relations with expediency. There may be irregularities and incompleteness in the notification that would have no effect should the Insurer know what the real situation is. We make note of the passive behaviour by the Insurer in the example when the Insurer is not aware of the real situation when the contract is concluded, and gets to know it later on and makes no action towards sanctions in line with the real situation. The principle of prohibition *venire contra factum proprium* indicates that no contracting party can deny their own actions and depart from their own actions implying legal consequences.

Having in mind that *uberrima fides* principle applies in both directions, it is also expected from the Insurer to act in good faith. Goods in transit insurance is concluded by Insurer on behalf of the Insured based on the information provided to him by the Insured. The key document commonly submitted by the Insured when cargo insurance contract for carriage of goods by road is concluded is a consignment note. The mandatory particulars of the consignment note, pursuant to the Article 6 of the Convention on the Contract for the International Carriage of Goods by Road (CMR) [7], are the following:

a) the date of the consignment note and the place at which it is made out
b) the name and the address of the sender
c) the name and the address of the carrier
d) the place and the date of taking over of the goods and the place designated for delivery;
e) the name and address of the consignee
f) the description in common use of the nature of the goods and the method of packing, and, in the case of dangerous goods, their generally recognized description
g) the number of packages and their special marks and numbers
h) the gross weight of the goods or their quantity otherwise expressed
i) charges relating to the carriage (carriage charges, supplementary charges, customs duties and other charges incurred from the making of the contract to the time of delivery)
j) the requisite instructions for Customs and other formalities
k) a statement that the carriage is subject, notwithstanding any clause to the contrary, to the provisions of CMR Convention.

7 *Official Gazette FLRJ-MP*, 11/1958 not officially translated into Slovenian. The text is publised in French and Serbo-Croatian in the mentioned Official Gazette. It applies in the Rebulic of Slovenia based on the Act notifying succession according to the UN Convention and conventions approved by the Internaitonal Atomic Energy Agency (MNKOZN), *Official Gazzete RS-MP*, No. 9–55/1992.

The particulars which are not binding subject to Article 6 of CMR are the following:

a) a statement that trans-shipment is not allowed
b) the charges which the sender undertakes to pay
c) the amount of "cash on delivery" charges
d) a declaration of the value of the goods and the amount representing special interest in delivery
e) the sender's instructions to the carrier regarding insurance of the goods
f) the agreed time limit within which the carriage is to be carried out
g) a list of the documents handed to the carrier.

It is completely clear from the aforementioned that the Insurer knows the place of departure and the place where loading of goods will be performed, as well as the designated destination where the goods will be unloaded. With this regard, the subject Insurer had in their general insurance terms and conditions the provision that the cargo insurance is written from the point where the goods are loaded to the point where the goods are unloaded, so that he knew the relevant dimensions of carriage by road. The rule that particular agreement supersedes the general terms and conditions is clear. However, it should be kept in mind that the contracting party that has prepared general terms and conditions (Insurer), in case when special agreement has been made in his sphere, should amend general provisions of contract and act in accordance with the principle of good faith and honesty, and that special attention should be devoted to that. In other words, if such special agreements by which general terms and conditions are modified do not exist, and if they were not requested by the Insured, the special agreements should be considered to the benefit of the Insured. Additional tone to this case was made by two facts established before court: 1) that the insurance application has been filled out by the Insurer, and not the Insured; and 2) that the Insured was in good faith that they took out cargo insurance that provided them with the business security for carriage of goods from one storage to another storage. This shows that the Insurer must specifically warn the Insured of this circumstance, and in my opinion, state the reasons for special decision which abrogate general terms and conditions.

According to the particulars of the consignment note, as was mentioned above, the time in which the goods will be carried from place of departure to the destination is not the obligatory element of the consignment note, and in practice it is not a constituent part of the consignment note; it represents the information in what time span, or period, the goods must be delivered.

Prohibition of Misuse of Rights

The exercise of rights arising from obligation relations contrary to the purpose of such rights established and recognised by the law shall be prohibited. The essence of this principle is to establish equality, and in that sense it can modify other principles of the Law on Contracts and Torts, especially in the area to which the principle of good faith and honesty apply.[8] We have the misuse of rights when somebody realises or exercises one of their rights contrary to the purpose for which that right has been established and in doing so they inflict damage to other persons. The very fact whether they wanted to inflict damage or not is irrelevant.

Here we talk not of actions outside the scope of rights, to the contrary, the party to the contract is exercising their recognised rights. However, the performance of those actions is obviously contrary to the purpose of the recognised right.

In Strohsack's opinion,[9] the elements of the prohibition of misuse of rights principle are: 1) that it is about the exercise of a recognised right contrary to the purpose for which that right has been established by law and 2) that the actions are objectively contrary to the goal of the recognised right. The first element is not only about laws, but also legal relations. In the second element the action of the individual is judged objectively, while their fault has no role in that.

Here the question may be posed whether the Insurer, who must know the importance of road transport, has thus misused their rights when they concluded the insurance in such manner that cargo insurance has no sense. Cargo insurance in land transport must be written in a way that it has its function. Therefore, it has to be concluded to provide the Insured with the business security which insures them as carriers from loading of goods to unloading of goods. Otherwise, the purpose of concluding the contract would be lost.

The Principle of Equal Consideration

In establishing bilateral contracts the parties shall begin from the principle of equality of mutual considerations, and this principle is sometimes difficult to establish in insurance contracts; strictly viewed, this principle, opposite to the principle of good faith and honesty, has no such important role. On one hand we have the obligation of premium payment calculated on the basis of the special knowledge of Insurers considering that they shall establish

8 Strohsack, B, „Obligacijska razmerja I", Časopisni zavod, Official Gazette of the Republic of Slovenia, Ljubljana, 1995, page 61–62.

9 Ibidem, page. 61–62

on their own the thin line between being competitive to other offerors of insurance and their business success. On the other hand we have services which imply the guarantee of business security (invisible performance). [10] In case of no occurrence of the event insured against, it is hard to say whether the premium is equal to the guarantee of business security. If this event occurs, it is hard to say whether the relatively small amount of premium is proportionate to the paid out indemnities. For this reason, the equal consideration principle should be interpreted on an abstract level in insurance relations.

Prohibition of Causing Damage

Neminem laedere means that everyone shall be bound to refrain from an act that might cause damage to another. This principle is mitigated by cases in which causing damage is acceptable if the act itself is not contrary to the law. In insurance relations, at first place, the conduct of both Insured and Insurer shall be prohibited if anyone causes damage in order to realise compensation under the insurance contract. This applies also to cases when incurred loss is increased, or when the contracting party wants to reach the amount of integral deductible. On the other hand, the main duty of an Insurer is to compensate for the incurred loss if the event insured against occurs, and in doing so not to cause damage to the Insured. The Law on Contracts and Torts specifies under paragraph 1 of the Article 119 the period of 14 days for the compensation of claims, which is calculated from the day when the Insurer receives notice of such event having occurred.

Performing Obligations

Pacta sunt servanda principle establishes that parties to obligation relations shall be bound to carry out their obligation and shall be responsible for its performance. An obligation may be discharged only by mutual will of the parties to the obligation relation, or on the basis of law.

The main obligation of the Insured is payment of premium. In addition, the insured shall certainly be obliged to make available all data and information so that the Insurer could assess risk and calculate premium, and the Insured shall make sure that the event covered by insurance should not occur. The main obligation of the Insurer is to pay indemnity to the Insured if the event covered by insurance occurs. The Insurer has at their disposal much more possibilities[11] for sanctioning the breach of duties by the Insured by withholding insurance

10 Flis S, page. 85.
11 Pavliha, M, Simoniti S, Insurance Law, page 152.

coverage or payment of compensation, or by requesting the performance of obligations before the court, thus forcing the Insured to perform their obligations.

Conduct in Carrying out Obligations

In carrying out obligations, a party to obligation relations shall be bound to act with care required in legal transactions of the kind of obligation relations involved, which is, for example, found in the category "the care of a good businessman". Such conduct shall be established by comparison of how an abstract type of a person would behave in a certain situation to how the person whose care and diligence is measured have behaved in the same situation. [12]

In carrying out obligations relating to professional activity, a party to obligation relations shall be bound to act with increased care, according to professional rules and standards (such as care of a good expert). At least, it would be expectable for this principle to apply to both contracting parties in transport insurance. The insurance transaction can be concluded only by an insurance company in their role of Insurers as experts, whose terms and conditions are specified by the Law on Insurance. Essentially, insurance companies act in their function of Insurers as experts.

The same applies to senders as well, who act in case of cargo insurance as Insureds, and forwarders or persons who commonly act as Insurers. Therefore senders, if they are companies performing their activity as experts, are treated the same as forwarders who are experts in their areas and from whom care of a good expert is expected. The standards for establishing this duty are higher from standards of a good businessman. Apart from objective standards, subjective standards are also important. We wonder how a good expert, a party to obligation relations, would act in given circumstances. The standards for establishing care are also the rules of a certain profession. Therefore, the criteria set by an expert in their profession should not be lower than standards of other experts of the same kind. [13]

In carrying out obligations, a party to obligation relations shall be bound to refrain from acts that could hinder the performance of obligations by another party to the same obligation relation. This provision shall apply to both creditors and debtors, though in the majority of cases it is not relating to

12 Strohsack, B, Obligacijska razmerja I, page. 74–75.
13 Ibidem, page 75.

debtors as much as to creditors. A debtor shall already be bound to carry out their obligations, and a creditor shall be bound to refrain from acts that could in any way hinder or prevent the debtor from performing obligations.

Other Principles in the Law on Contract and Torts

Those principle of the Law on Contract and Torts which are not in direct relation to this subject, for example the principle of settling disputes in a peaceful way and self-regulating character of the provisions of the present law, are omitted.

3. Cargo Insurance Relating to the Period in Which Cargo has to be Carried by Road (Duration of Carriage)

Legal grounds in connection with carriage by road is important for the establishment of relations according to Convention CMR. Carriage by road was actually taking place between Slovenia and Hungary.

General contract of carriage regulated by the Law on Contract and Torts, as well as contract of carriage of goods by road which was then regulated by the Law on Contracts of carriage of goods by road (ZPPCP)[14] on the international level of CMR convention, has some specific features[15] compared to other contracts. The first is that the contract of carriage of goods by road is concluded between sender and carrier to the benefit of the third – consignee. The second feature is that the sender has the right to dispose of the goods (which is an exception from *pacta sunt servanda*) and subject to the Article 12 of CMR Convention, can perform the following:

- ask the carrier to stop the goods in transit
- ask the carrier to deliver the goods to the consignee other than the one specified on the consignment note
- ask the carrier to change the place at which delivery is to take place.

This right of disposing of goods extends to the point (according to Article 13 of the CMR Convention):

- when the second copy of the consignment note has been delivered to the consignee, or
- when the goods have arrived to their destination.

14 The then domestic regulation ZPCP, *Official Gazette RS*, No 72/1994, 18/1995-popr. 54/1996, 48/1998, was replaced by same the Law on carriage of goods by road (ZPCP-1), *Official Gazette RS*, No 59/2001, 76/2003, 63/2004, 86/2004, 131/2006.

15 These specfic features compared to other contracts in most cases apply to all forms of transport by sea, air, railroad and road.

The third specific feature in the contract of carriage is the right to limited liability which, by itself, represents no distinctive characteristic in the Law of Contracts, though it has been explicitly regulated both in the international relations and in the domestic regulations relevant for carriage relations. This third feature is especially important because it is common because of it that senders or their forwarders conclude cargo insurance. [16] Limited liability of the carrier means that he shall have limited liability except in case when damage was caused by wilful misconduct (paragraph 1, Article 29 of the CMR Convention). [17] The carrier shall be partially liable up to the amount of 25 gold francs Germinal[18] per kilo of damaged or lost goods (10/31 g of 0.900 gold). If the goods are damaged, the sender would want to get full compensation for it. Having in mind that it cannot be obtained from the carrier by road (besides limited liability, carrier by road has also general and special reasons for exclusion[19], hence he concludes cargo insurance for the carriage of goods). The essence of cargo insurance is that the sender has insurance during carriage of goods, from loading to unloading of goods. Only in this way is cargo insurance sensible because the liability of the carrier is limited during carriage. Item 1 Article 12 of CMR stipulates that the carrier shall be liable for the total or partial loss of the goods and for damage thereto occurring between the time when he takes over the goods and the time of delivery, as well as for any delay in delivery.

The provisions of contract for carriage of goods by road relating to the time and period in which goods must be delivered represent the specific feature of this contract.

16 If a sender wants to be awarded the compensation for loss of or damage to the goods, he has to conclude insurance contract. Namely, the carrier can have limited liability in connection to characteristics of goods, force majeure or conditions of privilege, if he proves that loss of or damage to the goods has been incurred due to one or more occurrences of risk, for example in carriage by uncovered vehicle, when the goods have not been packed, when the nature of goods has caused damage and the like, and in case he is liable, his liability is limited to certain amount per kilo of damaged or lost goods.

17 *Le transporteur n'a pas le droit de se prevaloir des dispositions du present chapitre qui excluent ou limitent sa responsabilite si le dommage provient de son dol ou d une faute qui lui est imputable et qui, u après la loi de la juridiction saisie, est consideree comme equivalente au dol.*

The carrier shall not be entitled to avail himself of the provisions of this chapter which exclude or limit his liability if the damage was caused by his wilful misconduct or by such default on his part as, in accordance with the law of the court or tribunal seized of the case, is considered as equivalent to wilful misconduct.

18 The amount was changed to 8,33 SDR per kilo based on the Protocol with Convention on the Contract for the International Carriage of Goods by Road, 2007, (CMR) from 1978. It was ratified by the Republic of Slovenia as of 19 February 2014.

19 Pavliha M, Vlačič P, *Prevozno pravo*, GV založba, 2007, Ljubljana, page 271–272.

The important constituent parts of the contract for carriage of goods are:

- type and quantity of goods
- road on which the carriage is to take place (place where the goods have been taken over and place designated for delivery) and
- freight.

The obligation of a carrier to perform the carriage of goods within the agreed period is important. Usually it is not agreed in the contract, so if that is the case, a carrier should deliver goods within the time period usual for carriage of such goods and by such type of a vehicle. It should always be kept in mind that contract for carriage of goods by road practically always represents a consensual contract. Consignment note is not a contract. It is only a document evidencing that the goods that should be carried have been taken over and that a contract has been concluded. According to the Article 30 of CMR, consignment note represents the *prima facie* evidence that the goods have been taken over by the carrier in the condition described in this document. In inland transport, a consignment note can become a financial instrument, however this function is rarely performed.

In road transport the duration of carriage is not per se the essential element of the contract for carriage. By explicit agreement of the parties to the contract, it can become essential, though it rarely happens. The contracts in which the duration of carriage is precisely agreed are *"just in time"* contracts, when the goods have to be delivered to the consignee within the specified time period.[20]

The usual transport time by road truck cannot be compared to transport by car. Carriers by road have to comply with the regulations on mandatory break for mobile workers. Permissible speeds of truck vehicles are lower than permissible speeds of passenger cars. Crossing borders, when custom clearance is performed, usually incurs big loss of time. One should know the road transport technology and facts that might influence transportation time on a certain road. It is a well-known fact that, before the Republic of Slovenia joined the European Union and the customs union, both with Hungary and later on with other countries within Schengen regime, the border crossing Dolga represented a bottleneck at the exiting point to Hungary and that increased time of transport on this relatively short distance between Slovenia and Hungary.

20 Such contracts are concluded, for example, in car industry when consignee (car maker) of car parts has no storage capacities (except for just temporary storages), so that storage of parts is done at the car maker and on the vehicles of the carrier. In this way, it reduces its production costs. For suchlike production, it is important that sender and carrier should take care that parts are delivered to the consignee – usually the producer (or their forwarder) on time.

It is logical, due to the aforementioned reasons, that Insurers include in their general terms and conditions provisions stipulating that cargo insurance shall last from loading to unloading of goods. Only in this way can the Insured expect to have business security and that cargo insurance fulfils the function for which cargo insurance contract has been concluded in the first place.

4. Conclusion

The insurance relation of cargo insurance for carriage of goods by road between two contracting parties is usually established by insurance contract concluded between the Policyholder (usually forwarder) and the Insurer (insurance company) on behalf of the Insured (consignor). Basic principles of obligation relations apply to insurance relations, as well as to some other legal relations, with different emphasis placed on certain elements of the contract. The principle of good faith and honesty is especially important for insurance relations due to their nature. It applies when insurance contracts are concluded in the special form – *uberrima fides* (*utmost good faith*). The very words imply the highest level of good faith which is confirmed by casuistry (legal and business practice). There is no dilemma, both in theory and practice, that this principle is binding on both parties. The Insured, as well as the Insurer, must act in accordance with *uberrima fides* principle.

The Insurer makes the insurance contract based on the data obtained from the policy holder or Insured, and also based on generally known circumstances. In case of cargo insurance for goods in transit by road, the Insured usually submits to the Insurer, in addition to insurance application, the consignment note as well. The consignment note shall contain all elements necessary so that the Insurer can make the insurance contract and prepare the policy. If the consignment note does not contain all necessary data, the Insured shall submit other data as well. One of the essential elements in cargo insurance for goods in transit via road is the period of insurance. If we put aside the difference between formal insurance period and coverage period (material duration) which are usually the same, then it is important for the consignor in road transport that insurance period should match the period from loading of goods to unloading of goods. This is how general and particular terms and conditions (contract) of the Insurers are usually designed. The duration of transport in road transport is not usually the essential element of the contract. Carrier by road has to deliver the goods in time which is usual for carriage of that kind of goods and for the type of vehicle used for carriage.

The Insured takes out cargo insurance for goods in transit by road because he expects certain business security and that cargo insurance will fulfil the function for which cargo insurance contract has been concluded in the first place. Insurance period shorter than the duration of transport is possible, however, both contracting parties must be clearly and in no uncertain terms notified of it and they must agree about it.

Translated by: ***Dragana Simić***