

Zurich HelpPoint®



INCOTERMS 2010

Domestic and International Trade Terms
English Version



INCOTERMS 2010

Domestic and International Trade Terms – Valid as of 1. January 2011

Regardless of whether you send something to a customer or order something from a supplier, your freight must arrive on time; otherwise you will have problems. That is why we, as a global acting insurance company, always think a couple of steps ahead, not only analysing your transportation risks but also advising you on all matters concerning transportation routes, delivery conditions, etc.

This brochure provides you with an overview of the Incoterms 2010 and in particular what you as a seller or buyer need to know. The complete set of the Incoterms rules can be obtained from the International Chamber of Commerce, Zurich (Publication 715 ED) or from bookstores (ISBN 978-3-929621-71-6).

The Incoterms rules – the ICC rules on the use of domestic and international trade terms – facilitate the conduct of global trade. Reference to an Incoterms 2010 rule in a sale contract clearly defines the parties' respective obligations and reduces the risk of legal complications.

What to consider

Incorporate the Incoterms 2010 rules into your contract of sale

If you want the Incoterms 2010 rules to apply to your contract, you should make this clear in the contract, through words such as, "the chosen Incoterms rule including the named place, followed by Incoterms 2010".

Choose the appropriate Incoterms rule

The chosen Incoterms rule needs to be appropriate to the goods, to the means of their transport, and above all to whether the parties intend to put additional obligations, for example such as the obligation to organize carriage or insurance, on the seller or on the buyer.

Specify your place or port as precisely as possible

The chosen Incoterms rule can work only if the parties name a place or port, and will work best if the parties specify the place or port as precisely as possible. A good example of such precision would be:

"FCA 38 Cours Albert 1er, Paris, France Incoterms 2010"

The terms regulate in particular:

- The delivery and taking delivery of goods
- The contracts of carriage and insurance
- The transfer of risks
- The allocation of costs
- The delivery of documents and proof of delivery

They do not regulate:

- The price to be paid
- The method of payment
- The transfer of ownership
- The consequences of a breach of contract

Each clause regulates the obligations of the seller or buyer. With regard to the transportation insurance, interest focuses primarily who bears the risk during transportation – **from where to where** – is born.

Agree on the INCOTERMS 2010 in your commercial agreements and record this, e.g. "CIF INCOTERMS 2010". This clarifies matters. If measures in certain countries should mean that legal regulations make it necessary to take out transportation insurance abroad, it is possible to safeguard against a not unsubstantial financial risk by means of indemnity insurance. The indemnity insurance (Clause TR12/2006) has nothing in common with an export risk guarantee. It simply provides comprehensive insurance coverage in addition to foreign transportation insurances.

The trading terms, which are to some degree restrictive, result in the transportation insurer making the following recommendation:

- **Exporters:** The exporter should handle exports on the basis of, for example, the CIF or CIP clauses.
- **Importers:** The importer should deal with imports on the basis of, for example, the CFR or CPT clauses.

What benefits does the exporter or importer gain from this recommendation?

- With Zurich you have a global acting insurer on whom you can always count.
- You determine the insurance coverage that is appropriate for your goods.
- The insurance is valid from the point of departure to the destination. Always obtain a 'house-to-house' insurance.
- Claims can be dealt within your domicile.
- You reduce your financial risk to a minimum, because when you lodge a claim you have no transfer difficulties (e.g. as the result of currency restrictions), nor do you have any exchange risk.

Main feature of the Incoterms 2010 rules:

Two new Incoterms rules – DAT and DAP – have replaced the Incoterms 2000 rules DAF, DES, DEQ and DDU. The number of Incoterms rules has been reduced from 13 to 11. Under the FOB, CFR and CIF rules the transfer of risks has changed at the point of delivery.

Mode of transport and the appropriate INCOTERMS 2010

Rules for any mode or modes of transport

EXW	Ex Works	(... named place of delivery)
FCA	Free Carrier	(... named place of delivery)
CPT	Carriage paid to	(... named place of destination)
CIP	Carriage and Insurance paid to	(... named place of destination)
DAT	Delivered at Terminal	(... named terminal at port/place of destination)
DAP	Delivered at Place	(... named place of destination)
DDP	Delivered, Duty paid	(... named place of destination)

Rules for sea and inland waterway transport

FAS	Free alongside Ship	(... named port of shipment)
FOB	Free on Board	(... named port of shipment)
CFR	Cost and Freight	(... named port of destination)
CIF	Cost, Insurance, Freight	(... named port of destination)

EXW Ex Works (... named place of delivery)



Seller's risk

Buyer's risk

Seller's Obligation

- Place the goods at the disposal of the buyer at the named place of delivery (i.e. works, factory, warehouse, etc.).

Points of prime importance

- Even after the delivery of the goods, you still bear a considerable financial risk as long as full payment has not been made.
- These conditions are disadvantageous for the buyer. He bears a high risk and has to arrange everything himself such as export, clearance, transportation, insurance etc.

Buyer's Obligation

- Take delivery of the goods as soon as they have been made available at the seller's premises or another named place (i.e. works, factory, warehouse, etc.).
- Bear all costs and risks involved with organising the transport from that time on.

Points of prime importance

- Risks of loss or damage to the goods is transferred to the buyer as soon as they have been placed at their disposal at the named place of delivery.
- The seller does not need to load the goods on any collecting vehicle.
- In cases where the seller is in a better position to load the goods, FCA is usually more appropriate.

FCA Free Carrier (... named place of delivery)



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods to the carrier or another person nominated by the buyer at the agreed point, if any, at the named place.
- If the named place is the seller's premises, delivery is completed when the goods have been loaded on the means of transport provided by the buyer.
- In any other case, delivery is completed when the goods are placed at the disposal of the carrier or another person nominated by the buyer on the seller's means of transport ready for unloading.
- FCA requires the seller to clear the goods for export, where applicable.

Points of prime importance

- The parties are well advised to specify as clearly as possible the point within the named place of delivery.
- Even after delivery of the goods, the seller bears a considerable financial risk as long as full payment has not been made.

Buyer's Obligation

- Take delivery of the goods when they have been delivered by the seller at the agreed point / place.
- To contract on your own expense for the carriage of the goods from the named place of delivery.

Points of prime importance

- The buyer must contract at their own expense for the carriage of the goods from the named place of delivery.
- If the buyer does not give any instruction to the contrary in due time, the seller has no obligation to make a contract of carriage.
- The buyer has no obligation to the seller to make a contract of marine insurance.

CPT Carriage paid to (... named place of destination)



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods by handing them over to the carrier, nominated by the seller, at the agreed point of delivery, and to contract from that point a contract for the carriage to the named place of destination.
- Bear all risk of loss or damage to the goods until they have been delivered to the first carrier.

Points of prime importance

- Even after delivery of the goods the seller bears a considerable financial risk as long as full payment has not been made and the buyer has not obtained marine insurance.

Buyer's Obligation

- Take delivery of the goods when they have been delivered to the first carrier and receive them from the carrier at the named place of destination.

Points of prime importance

- The parties should identify as precisely as possible the point within the agreed place of destination.
- The seller is under no obligation to take out cargo insurance.
- Without a qualitative and quantitative examination of the goods at the time the carrier takes delivery, only restricted coverage can be obtained for the subsequent transport.

CIP Carriage and Insurance paid to (... named place of destination)



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods by handing them over to the carrier, nominated by the seller, at the agreed point of delivery, and to contract from that point a contract for the carriage to the named place of destination.
- Bear all risk of loss or damage to the goods until they have been delivered to the first carrier.
- The seller must obtain at their own expense a transferable cargo insurance (110 % of the contract price) complying at least with the minimum cover provided by Clauses (C) of the Institute Cargo Clauses or any similar clauses.

Points of prime importance

- For subsequent transportation from the named place of destination (if different from the final place of destination) the buyer can only obtain a restricted insurance.

Buyer's Obligation

- Take delivery of the goods when they have been delivered to the first carrier and receive them from the carrier at the named place of destination.

Points of prime importance

- The buyer carries all risks for loss or damage to the goods during shipment. However, the seller has to obtain cargo insurance which shall cover the goods from the point of delivery to at least the named place of destination.
- The buyer neither knows the insurance company nor the exact scope of coverage.
- The buyer has the option of agreeing the scope of insurance with the seller. If no such agreement is made, he is only obliged to obtain a minimum cover as provided by Clauses (C) of the Institute Cargo Clauses or any similar clauses.

DAT Delivered at Terminal (... named terminal at port/place of destination)



Seller's risk

Buyer's risk

Seller's Obligation

- Obtain a contract for carriage of the goods as well as place the goods at the disposal of the buyer at the named terminal, such as a quay warehouse, container yard or road, rail or air cargo terminal, at the named port or place of destination.
- Bear all costs and the risk of loss or damage to the goods until the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at the named terminal at the port of destination.
- To clear the goods for export.

Points of prime importance

- Specify as clearly as possible the terminal and a specific point within the terminal at the agreed port or place of destination, as the risks to that point are for the account of the seller.

Buyer's Obligation

- Taking the goods at the agreed terminal / place.
- Bear all costs and the risk of loss or damage to the goods from the moment they are at the disposal of the buyer, unloaded from the arriving means of transport, at the named terminal.

Points of prime importance

- Specify as clearly as possible the terminal and a specific point within the terminal at the agreed port or place of destination, as the risks from that point are for the account of the buyer.
- If the parties intend the seller to bear the risks and costs involved in transporting and handling the goods from the terminal to another place, then the DAP or DDP rules should be used.

DAP Delivered at Place (... named place of destination)



Seller's risk

Buyer's risk

Seller's Obligation

- Obtain a contract for carriage of the goods as well as place the goods at the disposal of the buyer at the named place of destination.
- Bear all costs and the risk of loss or damage to the goods until they have been delivered on the arriving means of transport, ready for unloading, at the named place of destination.
- To clear the goods for export.

Points of prime importance

- Specify as clearly as possible the point within the agreed place of destination, as the risks to that point are for the account of the seller.

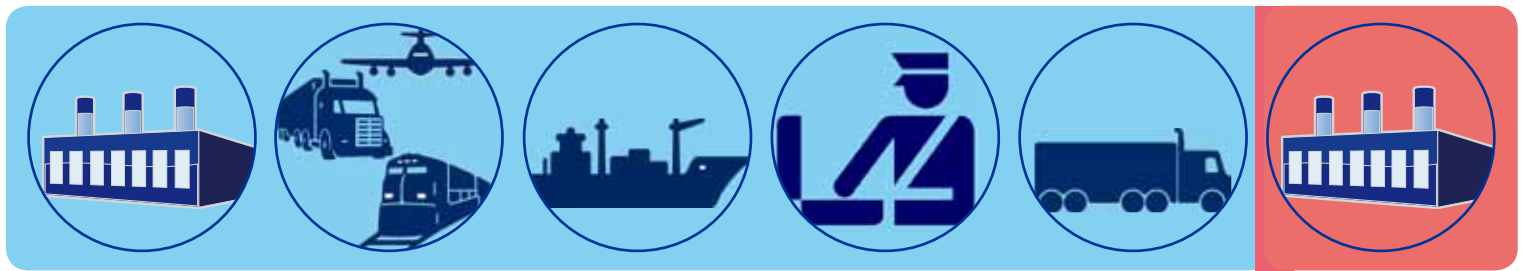
Buyer's Obligation

- Taking the goods at the agreed place of destination.
- Bear all cost and the risk of loss or damage to the goods from the moment they are at the disposal of the buyer, ready for unloading on the arriving means of transport, at the named place of destination.

Points of prime importance

- Specify as clearly as possible the point within the agreed place of destination, as the risks from that point are for the account of the buyer.
- If the parties wish the seller to clear the goods for import, pay any import duty and carry out any import customs formalities, the DDP term should be used.

DDP Delivered Duty paid (... named place of destination)



Seller's risk

Buyer's risk

Seller's Obligation

- Place the goods at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination.
- Bear all costs and the risk of loss or damage to the goods as well as all costs incurred through customs formalities, duties, taxes and other charges.

Points of prime importance

- The parties are advised to specify as clearly as possible the point within the agreed place of destination, as the costs and risks to that point are for the account of the seller.
- The buyer may only be able to obtain-restricted coverage for the subsequent transportation.
- The parties are advised not to use DDP if the seller is unable directly or indirectly to obtain import clearance. In such situations, the DAP rule is more appropriate.

Buyer's Obligation

- Take delivery of the goods on the arriving means of transport ready for unloading at the named place of destination and from that time bear all costs to the final destination.

Points of prime importance

- The seller is under no obligation to take out marine insurance.
- Damage which occurs before the goods reach the named place of destination, but which is only detected at the final destination can no longer be claimed for from the seller.
- Without a qualitative and quantitative examination of the goods at the named place of destination, only restricted coverage can be obtained for the subsequent transport.

FAS Free alongside Ship (... named port of shipment)



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods, for the account of the seller, by placing them alongside the vessel / loading point (e.g. on a quay or a barge) nominated by the buyer at the named port of shipment.
- FAS requires the seller to clear the goods for export, where applicable.

Points of prime importance

- The buyer may only be able to obtain restricted insurance from the named place of shipment.
- On the one hand, you bear a considerable financial risk should no payment have been made before the shipment; on the other hand, you have no guarantee that the buyer has obtained marine insurance.
- Where the goods are in containers, it is typical for the seller to hand the goods over to the carrier at a terminal and not alongside the vessel. In such situations, the FAS rule would be inappropriate, and the FCA rule should be used.

Buyer's Obligation

- Taking delivery of the goods when they have been delivered by the seller at the named place of shipment.
- To contract at your own expense for the carriage of the goods from the named port of shipment.

Points of prime importance

- The buyer bears all risks of loss of or damage to the goods from the time they have been delivered at the named point.
- The buyer has no obligation to the seller to make a contract of marine insurance.

FOB Free on Board (... named port of shipment)



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods on board the vessel nominated by the buyer at the named port of shipment.
- Bear all costs and risks of loss or damage to the goods until they are on board of the vessel at the named port of shipment.
- FOB requires the seller to clear the goods for export, where applicable.

Points of prime importance

- On the one hand, the seller bears a considerable financial risk should no payment have been made before the shipment; on the other hand, the seller has no guarantee that the buyer has obtained marine insurance.
- FOB may not be appropriate where goods are handed over to the carrier before they are on board the vessel, for example goods in containers, which are typically delivered at a terminal. In such situations, the FCA rule should be used.

Buyer's Obligation

- Obtain the required space on the vessel.
- Bear all costs and risks of loss or damage to the goods from the time they have been delivered on board the vessel.

Points of prime importance

- The seller has no obligation to obtain insurance for the maritime voyage.
- The buyer may only be able to obtain restricted insurance from the port of shipment.

CFR Cost and Freight (... named port of destination)



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods on board the vessel.
- To obtain a contract for carriage to the named port of destination and pay the freight as well as all other costs.
- Bear all risks of loss or damage to the goods until they have been delivered on board the vessel at the named port of shipment.

Points of prime importance

- Even after the delivery of the goods, you still bear a considerable financial risk until full payment has been made.
- The buyer may only be able to obtain restricted insurance for the maritime voyage.
- CFR may not be appropriate where goods are handed over to the carrier before they are on board the vessel, for example goods in containers, which are typically delivered at a terminal. In such circumstances, the CPT rule should be used.

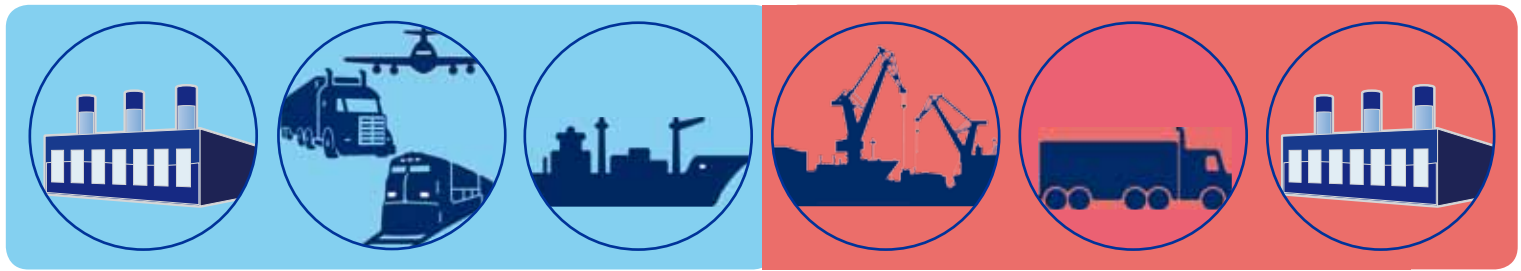
Buyer's Obligation

- Accept delivery of the goods at the named port of destination after receipt of the transport documents.
- Bear all risks of loss or damage to the goods from the time they are on board of the vessel at the named port of shipment.

Points of prime importance

- The seller bears all risks of loss or damage to the goods only as far as they have been delivered onboard the vessel at the port of shipment.
- Without a qualitative and quantitative examination of the goods at the port of shipment, the buyer may be able to obtain only restricted coverage for the subsequent transport.

CIF Cost, Insurance Freight (... named port of destination)



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods on board the vessel.
- To obtain a contract for carriage to the named port of destination and pay the freight as well as all other costs.
- Bear all risks of loss or damage to the goods until they have been delivered on board the vessel at the named port of shipment.
- The seller must obtain at its own expense a transferable cargo insurance (110 % of the contract price) complying at least with the minimum cover provided by Clauses (C) of the Institute Cargo Clauses or any similar clauses.

Points of prime importance

- If the insurance has been agreed „CIF named port of destination“, it is usually possible to obtain only restricted coverage for the subsequent overland transport.

Buyer's Obligation

- Accept delivery of the goods at the named port of destination after receipt of the transport documents.
- Bear all risks of loss or damage to the goods from the time they have been delivered on board the vessel at the named port of shipment.

Points of prime importance

- The seller only has to obtain minimal coverage for the goods during the maritime voyage.
- Without a qualitative and quantitative examination of the goods at the port of arrival, only restricted insurance can be obtained for the subsequent transport to the final destination.
- The buyer has the option of agreeing the scope of insurance with the seller. If no such agreements is made, he is only obliged to obtain a minimum cover as provided by Clauses of the Institute Cargo Clauses or any similar clauses.

Responsibilities for sellers and buyers for delivery of goods under sales contracts

The following illustration serves only for a first overview. The chosen Incoterms rule needs to be appropriate to the goods, to the means of their transport, and above all to whether the parties intend to put additional obligations on the seller or on the buyer. (Recommendation: Publication ICC Rules for the Use of Domestic and International Trade Terms)

What to consider?

Two new Incoterms rules – DAT and DAP - have replaced the Incoterms 2000 rules DAF, DES, DEQ and DDU. The number of Incoterms rules has been reduced from 13 to 11. Under the FOB, CFR and CIF rules the transfer of risks has changed at the point of delivery.

	CLEAR FOR EXPORT	CLEAR FOR IMPORT	CONTRACT OF CARRIAGE	POINT OF DELIVERY	TRANSFER OF RISKS	COSTS OF CARRIAGE	MARINE INSURANCE	MODES OF TRANSPORT
EXW	Buyer	Buyer	Buyer	At seller's premises	Point of delivery	-	-	all
FCA	Seller	Buyer	Buyer	First carrier or another person	Point of delivery	-	-	all
CPT	Seller	Buyer	Seller	First carrier or another person	Point of delivery	Place of destination	-	all
CIP	Seller	Buyer	Seller	First carrier or another person	Point of delivery	Place of destination	By Seller only on minimum cover	all
DAT	Seller	Buyer	Seller	Terminal at port or named place of destination.	Point of delivery, unloaded from the arriving means of transport		-	all
DAP	Seller	Buyer	Seller	Named place of destination	Point of delivery, ready for unloading from the arriving means of transport		-	all
DDP	Seller	Seller	Seller	Named place of destination	Point of delivery, ready for unloading		-	all
FAS	Seller	Buyer	Buyer	Alongside the vessel at the named port	Point of delivery		-	vessel
FOB	Seller	Buyer	Buyer	Named port of shipment	On board the vessel		-	vessel
CFR	Seller	Buyer	Seller	Named port of shipment	On board the vessel	Named port of destination	-	vessel
CIF	Seller	Buyer	Seller	Named port of shipment	On board the vessel	Named port of destination	By Seller only on minimum cover	vessel

Point of Delivery

In the Incoterms 2010 rules "Point of Delivery" is used to indicate where the risk of loss of or damage to the goods passes from the seller to the buyer.

Carrier

For the purposes of the Incoterms 2010 rules, the carrier is the party with whom carriage is contracted.

