

INCOTERMS 2000

International Commercial Terms



INCOTERMS (International Commercial Terms)

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 the largest Swiss 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 2000 and in particular what you as a sales representative or buyer must know.

They can be obtained from the International Chamber of Commerce, Zurich, (Publication 560) or from bookstores (ISBN 3-87081-200-1).

The INCOTERMS 2000 were created by the International Chamber of Commerce and regulate the rights and obligations of buyers and sales representatives in international commodity handling.

The INCOTERMS 2000 are international rules for structuring a particular group of contractual clauses that are used in commercial agreements.

The terms regulate in particular

- delivering and taking delivery of goods
- the division of costs
- the transfer of risk
- proof of delivery, transport documents or equivalent electronic message.

They do not regulate

- transfer of ownership
- the payment process
- applicable law
- the jurisdiction.

The Incoterms are grouped in four categories

E-Terms	EXW	Ex Works	(... named place)
F-Terms	FCA	Free Carrier	(... named place)
	FAS	Free Alongside Ship	(... named port of shipment)
	FOB	Free On Board	(... named port of destination)
C-Terms	CFR	Cost and Freight	(... named port of destination)
	CIF	Cost Insurance and Freight	(... named port of destination)
	CPT	Carriage Paid To	(... named place of destination)
	CIP	Carriage and Insurance Paid To	(... named place of destination)
D-Terms	DAF	Delivered At Frontier	(... named place)
	DES	Delivered Ex Ship	(... named port of destination)
	DEQ	Delivered Ex Quay	(... named port of destination)
	DDU	Delivered Duty Unpaid	(... named place of destination)
	DDP	Delivered Duty Paid	(... named place of destination)

Each clause regulates the obligations of the sales representatives or buyers. With regard to the transportation insurance, interest focuses primarily on whom the risk during transportation (from where to where) is born.

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 Swiss exporter or importer gain from this recommendation?

- With Zurich you have a reliable Swiss 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 take out the "House / House" insurance.

Agree on the INCOTERMS 2000 in your commercial agreements and record this, e.g. "CIF INCOTERMS 2000".

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.

- Claims can be dealt with in Switzerland.
- 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.

Mode of transport and the appropriate INCOTERMS 2000

Any mode of transport	EXW	Ex Works	(... named place)
	FCA	Free Carrier	(... named place)
	CPT	Carriage Paid To	(... named place of destination)
	CIP	Carriage and Insurance Paid To	(... named place of destination)
	DAF	Delivered At Frontier	(... named place)
	DDU	Delivered Duty Unpaid	(... named place of destination)
	DDP	Delivered Duty Paid	(... named place of destination)
Ocean marine and inland marine 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 and Freight	(... named port of destination)
	DES	Delivered Ex Ship	(... named port of destination)
	DEQ	Delivered Ex Quay	(... named port of destination)
Rail transport	FCA	Free Carrier	(... named place)
Air transport	FCA	Free Carrier	(... named place)

EXW – Ex Works (... named place)



Seller's risk



Buyer's risk

Seller's Obligation

- Place the goods for disposal at your premises or another named place (i.e. works, factory, warehouse, etc.).

Points of prime importance

- Even after the delivery of the goods, you still bear a considerable financial risk until full payment has been made.
- These conditions are disadvantageous for your client. He bears a high risk and has to arrange everything himself such as export, transportation, insurance etc.

Buyer's Obligation

- Take delivery of the goods as soon 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

- Risk of loss or damage to the goods is transferred to you as soon as they have been placed at your disposal at the seller's premises or other named place (i.e. works, factory, warehouse, etc.);
- The supplier is under no obligation to obtain 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 ocean ship;
- bear all costs and risks of loss or damage to the goods until they have passed the ship's rail at the named port of shipment.

Points of prime importance

- Your client may only be able to obtain restricted insurance from the port 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.

Buyer's Obligation

- Obtain the required space on the ocean ship;
- bear all costs and the risk of loss or damage to the goods from the time they have passed the ship's rail at the named port of shipment.

Points of prime importance

- The supplier has no obligation to obtain insurance for the maritime voyage.

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



Seller's risk



Buyer's risk

Seller's Obligation

- Deliver the goods on board the ocean ship;
- obtain a contract for carriage to the named port of destination and pay the freight as well as all other costs;
- bear all risk of loss or damage to the goods until they have passed the ship's rail 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.
- Your client may only be able to obtain restricted insurance for the maritime voyage.

Buyer's Obligation

- Accept delivery of the goods at the named port of destination after receipt of the transport documents;
- bear all risk of loss or damage to the goods from the time they have passed the ship's rail at the named port of shipment.

Points of prime importance

- The supplier bears the risk of loss or damage to the goods only as far as the port of shipment. He is under no obligation to obtain insurance for the maritime voyage.

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



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods on board the ocean ship;
- obtain a contract for carriage to the named port of destination and pay the freight as well as all other costs;
- bear all risk of loss or damage to the goods until they have passed the ship's rail at the named port of shipment;
- obtain transferable marine insurance.

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 risk of loss or damage to the goods from the time they have passed the ship's rail at the named port of shipment.

Points of prime importance

- Your supplier 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 destination.

CPT – Carriage paid To (... named place of destination)



Seller's risk

Buyer's risk

Seller's Obligation

- Deliver the goods for transport by the carrier contracted 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 the delivery of the goods you still bear a considerable financial risk until full payment has been made and your customer has obtained marine insurance.

Buyer's Obligation

- Bear all risk of loss or damage to the goods from the time they have been delivered to the first carrier.

Points of prime importance

- The supplier is under no obligation to take out marine insurance.
- Damage which is not detected before the carrier takes delivery of the goods can no longer be claimed for from the supplier.
- 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

- Obtain a contract for the carriage of the goods and pay the freight as well as all other costs as far as the named place of destination;
- bear all risk of loss or damage to the goods until they have been delivered to the first carrier;
- obtain transferable marine insurance, the conditions of which are appropriate for the type of goods and commercial practice.

Points of prime importance

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

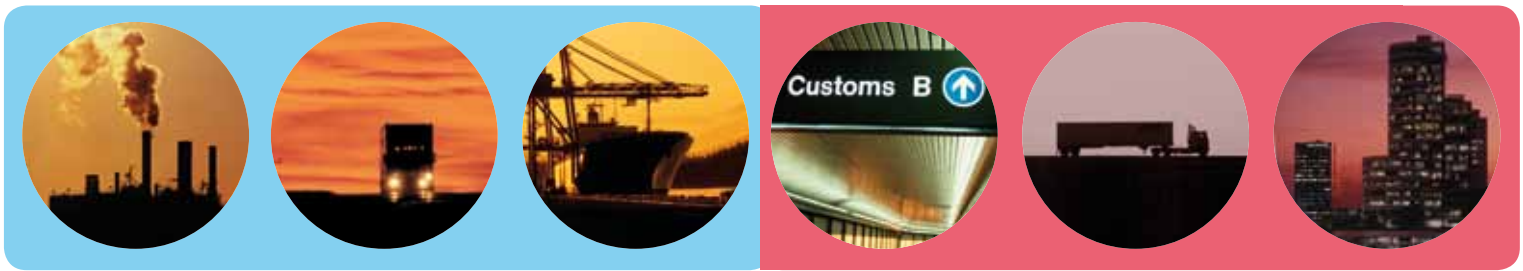
Buyer's Obligation

- Accept the goods from the carrier at the named place.

Points of prime importance

- You carry the risk for loss or damage to the goods during shipment. However, the seller has to obtain insurance from warehouse to warehouse.
- You have the option of agreeing the scope of insurance with the seller. If no such agreement is made, he is only obliged to obtain insurance coverage which conforms to market standards.
- You neither know the insurance company nor the exact scope of coverage.

DAF – Delivered at Frontier (... named place)



Seller's risk

Buyer's risk

Seller's Obligation

- Place the goods at the disposal of the buyer on the arriving means of transport not unloaded at the named place of delivery at the frontier;
- bear all costs and the risk of loss or damage to the goods as far as the named place of delivery at the frontier.

Points of prime importance

- Even after delivery of the goods you still bear a considerable financial risk until full payment has been made and your customer has obtained marine insurance.
- Your client may only be able to obtain minimum insurance coverage for the subsequent transport.

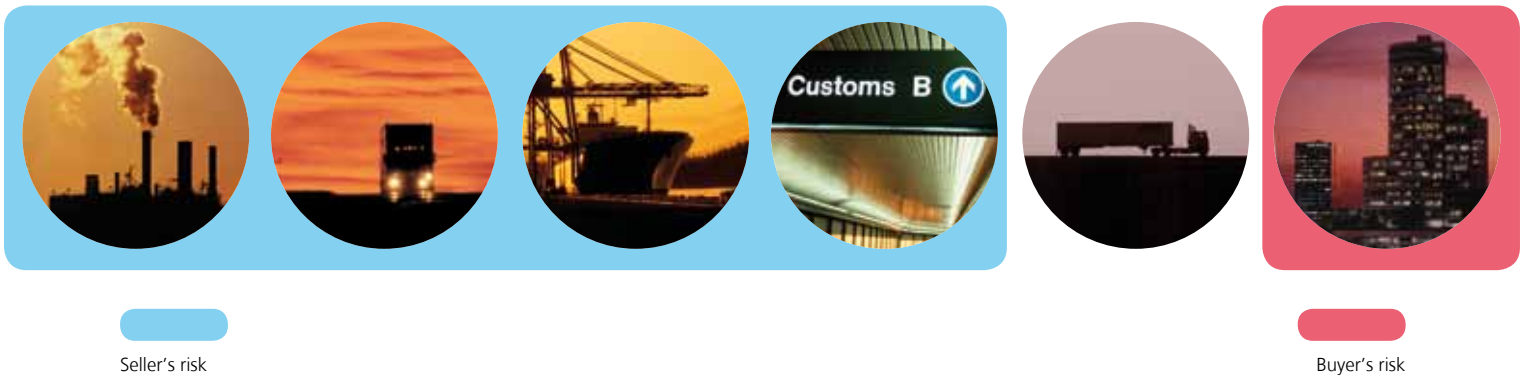
Buyer's Obligation

- Take delivery of the goods on the arriving means of transport not unloaded at the named place of delivery at the frontier and from that time bear all costs to the final destination.

Points of prime importance

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

DDP – Delivered Duty Paid (... named place of destination)



Seller's Obligation

- Place the goods at the disposal of the buyer on any arriving means of transport not unloaded 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

- Even after delivery of the goods you still bear a considerable financial risk until full payment has been made and your customer has obtained marine insurance.
- Your client may only be able to obtain restricted coverage for the subsequent transportation.
- You may encounter insurmountable problems when attempting to clear customs in the country of destination (e.g. missing import licenses which must be procured by the buyer).

Buyer's Obligation

- Take delivery of the goods on the arriving means of transport not unloaded at the named place of destination and from that time bear all costs to the final destination.

Points of prime importance

- The supplier 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 supplier.
- 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.

