Common Incoterms® 2010 and what they mean

Note: Refer "Common Incoterms 2020" for current version of the Incoterms

The only Incoterms® that include a specified requirement to arrange insurance are Cost Insurance and Freight (CIF) and Carriage and Insurance Paid To (CIP). Therefore it is very important that both Buyers and Sellers are aware of when they are "At Risk" and should consider marine insurance to cover those periods.

Common Incoterms® 2010	Delivery and Risk Transfer Point
Incoterms for any mode or modes of transport	
Ex-Works (EXW)	**Delivery:** When the goods are placed at the disposal of the buyer at a nominated place (usually the seller's premises). Seller does not need to load the goods on the buyer's vehicle, or clear the goods for export. **Risk Transfer:** At the time the goods have been placed at the disposal of the buyer. **Insurance:** The buyer purchases marine insurance. An EXW sale is effectively a domestic sale for the seller. No responsibility for insurance is specified in EXW for either party
Free Carrier (FCA)	**Delivery / Risk Transfer:** Both occur when the goods are provided to the buyer's nominated carrier at a nominated place. If the nominated place is the seller's premises, then delivery happens and risk transfers when the goods have been loaded onto the buyer's transport. If it is anywhere else (for example the premises of the buyer's nominated carrier) then delivery is completed and risk is transferred when the goods are available for unloading from the seller's transport. Seller must clear the goods for export. **Insurance:** The seller may have local transit insurance cover, either a stand-alone policy or an adjunct to Property Stock policy; and the buyer can purchase marine insurance for the international transit. No responsibility for insurance is specified in FCA for either party
Carriage Paid To (CPT)	**Delivery / Risk Transfer:** Both occur when the goods are handed over to the carrier at an agreed place. This point is usually in the seller's country, prior to export. However the seller has contracted to pay the carrier to take the goods to a named destination beyond that agreed place of delivery, usually in the buyer's country. Risk and freight costs therefore pass at different points, and usually in different countries. Seller must clear the goods for export only. **Insurance:** No responsibility for insurance is specified in CPT for either party. So even though the seller bears the freight costs from the point of delivery to destination, they do not have to purchase insurance beyond the delivery point.
Carriage and Insurance Paid To (CIP)	**Delivery / Risk Transfer:** As per CPT, i.e. risk still transfers when the goods are delivered to the carrier at the nominated place prior to delivery. **Insurance:** The important distinction between CIP and CPT is that the seller must purchase marine insurance through to destination. So at the point of Risk Transfer, the purchased marine insurance either commences or, if already in existence for the seller's benefit, is assigned from seller to buyer. **Note:** The CIP Incoterm only requires the seller to purchase ICC(C) cover, so the contract of sale should explicitly state that a greater amount of cover is required where necessary
Delivered At Terminal (DAT)	**Delivery / Risk Transfer:** When they've been unloaded from the arriving means of transport and placed at the disposal of the buyer at a named terminal – usually a container or air cargo terminal, or freight yard. This is usually in the seller's country prior to an international transit. Seller must clear the goods for export only. **Insurance:** No responsibility for insurance is specified in DAT for either party. So the buyer should arrange insurance to commence at the time the risk is unloaded from the seller's transport at the terminal. **Note:** DAT is an increasingly common term used for container shipments.
Delivered At Place (DAP)	**Delivery:** At a nominated place of destination. The difference between DAT and DAP is that delivery happens when the goods are placed at the buyer's disposal on the arriving means of transport, ready for unloading. The seller bears all risks and costs of bringing the goods to this nominated place. For example, the delivering transport might be a ship and the named place might be a port. The seller must clear the goods for export only. **Risk Transfer / Insurance:** Under DAP the seller bears the Risk during an international transit prior to delivery, and so should have a marine insurance policy. The buyer bears the risk from the time of the ship docking and the goods being available for unloading. The seller is under no obligation to purchase an assignable marine policy for both parties, so the buyer will have their own transit policy that commences when the buyer assumes risk when the goods are available for unloading. **Note:** There are some dangers in this for the buyer if the goods are not inspected for damage prior to unloading.

Common Incoterms® 2010 (continued)

Common Incoterms® 2010	Delivery and Risk Transfer Point
Incoterms for any mode or modes of transport (cont.)	
Delivered Duty Paid (DDP)	**Delivery / Risk Transfer:** Both occur when the goods are ready for unloading from the arriving means of transport at the nominated place of destination. The seller bears all the costs and risks involved in bringing the goods to that point, including export and import licence and customs costs. DDP therefore represents the maximum obligation for the seller. **Insurance:** The seller is under no obligation to purchase an assignable marine policy for both parties, so the buyer will have their own transit policy that commences when the buyer assumes risk from the time the goods are available for unloading. Usually all the buyer has to purchase is a local transit policy as the goods have already arrived in his country. No responsibility for insurance is specified in DDP for either party **Note:** Again, the buyer should inspect for transit damage when collecting.
Incoterms for sea and inland waterway transport	
Free Alongside Ship (FAS)	**Delivery / Risk Transfer:** Delivery occurs when the goods are placed alongside the vessel (e.g. on a quay or barge) at the nominated loading point at a named port of shipment i.e. prior to loading. The risk of loss or damage passes when the goods are alongside the ship, and the buyer bears all cost from that moment onwards. Seller must clear the goods for export only. **Insurance:** No responsibility for insurance is specified in FAS for either party, so both parties should arrange their own insurance cover for the time they are on Risk **Note:** Usually suited to break-bulk shipments, where there is a warehouse directly beside the dock. Containers are generally delivered to container terminals (e.g. CIP).
Free On Board (FOB)	**Delivery / Risk Transfer:** Delivery occurs when the goods are on board the vessel at the named port of shipment. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards. Seller must clear the goods for export only. Previously the transfer point used to be an imaginary line above the ship's rail – no longer. **Insurance:** No responsibility for insurance is specified in FOB for either party, so both parties should arrange their own insurance cover for the time they are on Risk **Note:** FOB is not suitable for containers, which are usually handed to the carrier by delivery to a terminal (when FCA is more appropriate).
Cost and Freight (CFR)	**Delivery / Risk Transfer:** The seller delivers the goods on board the vessel (again, not the ship's rail) and the risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to the destination port. Thus risk and costs pass at different places and at different times. Seller must clear the goods for export only. **Insurance:** No responsibility for insurance is specified in CPT for either party, so both parties should arrange their own insurance cover for the time they are on Risk **Note:** Containers are generally delivered to container terminals prior to being loaded on the vessel (e.g. CPT).
Cost Insurance and Freight (CIF)	**Delivery / Risk Transfer:** The seller delivers the goods on board the vessel (again, not the ship's rail) and the risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to the destination port. Seller must clear the goods for export only. **Insurance:** The seller also contracts for insurance cover against the buyer's risk of loss or damage to the goods during carriage. The CIF Incoterm only requires the seller to purchase ICC(C) cover, so the contract should explicitly state that a greater amount of cover is required where necessary. **Note:** CIF is usually not appropriate where the goods are handed over to the carrier before they are loaded on board the vessel. Usually this occurs at a container terminal, so use CIP instead.