



INCOTERMS 2010

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## (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 2010 and in particular what you as a sales representative or buyer must know. The Incoterms were created by the International Chamber of Commerce and regulate the rights and obligations of buyers and sales representatives in international commodity handling. They can be obtained from the International Chamber of Commerce, Zurich, (Publication 715 ED) or from bookstores (ISBN 978-3-929621-71-6).

The Incoterms 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 2010 rules are presented in two distinct classes:

### Rules for any Mode or Modes 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...		
	Delivered at Terminal	DAT	(... named place of destination)
DAP	Delivered at Place		(... named terminal at port/place of destination)
	Delivered Duty paid	DDP	(... named place of destination)
			(... 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 destination)
CFR	Cost and Freight	(... named port of destination)
CIF	Cost, Insurance, Freight	(... named port of destination)

Agree on the Incoterms 2010 in your commercial agreements and record this, e.g. «CIF Incoterms».

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.

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).

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.

**Importeur** 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 obtain a 'house-to-house' insurance.
- Claims can be dealt within 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 you have any exchange risk.

Mode of transport and the appropriate INCOTERMS 2010

Rules for any mode or modes 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)

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

Terminal DAT

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

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

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)



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 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

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.);

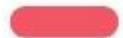
- The supplier is under no obligation to obtain marine insurance.

## 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 are on board of the vessel at the named port of shipment.

#### Points of prime importance

The buyer 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 are on board of the vessel at the named port

#### Points of prime importance

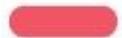
The supplier has no obligation to obtain insurance for the maritime voyage.

## 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 are on board of 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.

### 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 are on board of the vessel 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, 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 are on board of the vessel 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 are on board of the vessel at the named port of shipment.

#### Points of prime importance

The 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 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

The buyer carries the risk for loss or damage to the goods during shipment. However, the seller has to obtain insurance from warehouse to warehouse.

- 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 insurance coverage which conforms to market standards.
- The buyer neither knows the insurance company nor the exact scope of coverage.

## DAT Delivered at Terminal (... named Terminal at port or place of destination)



### 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 at the port or place of destination.

Bear all costs and the risk of loss or damage to the goods until the goods are unloaded and at the disposal of the buyer at the terminal.

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 the goods are unloaded and at the disposal of the buyer at the 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 to that point are for the account of the seller.

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 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 are on the arriving means of transport, ready for unloading and at the disposal of the buyer 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 costs and the risk of loss or damage to the goods from the moment the goods are on the arriving means of transport, ready for unloading and at the disposal of the buyer 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 to that point are for the account of the seller.

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 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.

- The buyer may only be able to obtain restricted coverage for the subsequent transportation.
- The seller may encounter unresolvable 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.

