



# Incoterms® 2020

## Rules for national and international goods deliveries

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# Foreword

One of the biggest challenges faced by international businesses is the legal regulatory framework and in particular, delivery and payment conditions.

In a series of publications, PostFinance and the association swiss export shed light on what to be aware of in foreign trade, where the challenges lie and which obstacles stand in the way.

This e-book gives you more insight into the topic of delivery conditions in foreign trade. You will learn all you need to know about Incoterms – the uniform international rules for delivery agreements – and receive useful tips to help you carry out your foreign trade business securely and easily.

We wish you every success in your foreign trade and would be very pleased to hear any feedback or suggestions.



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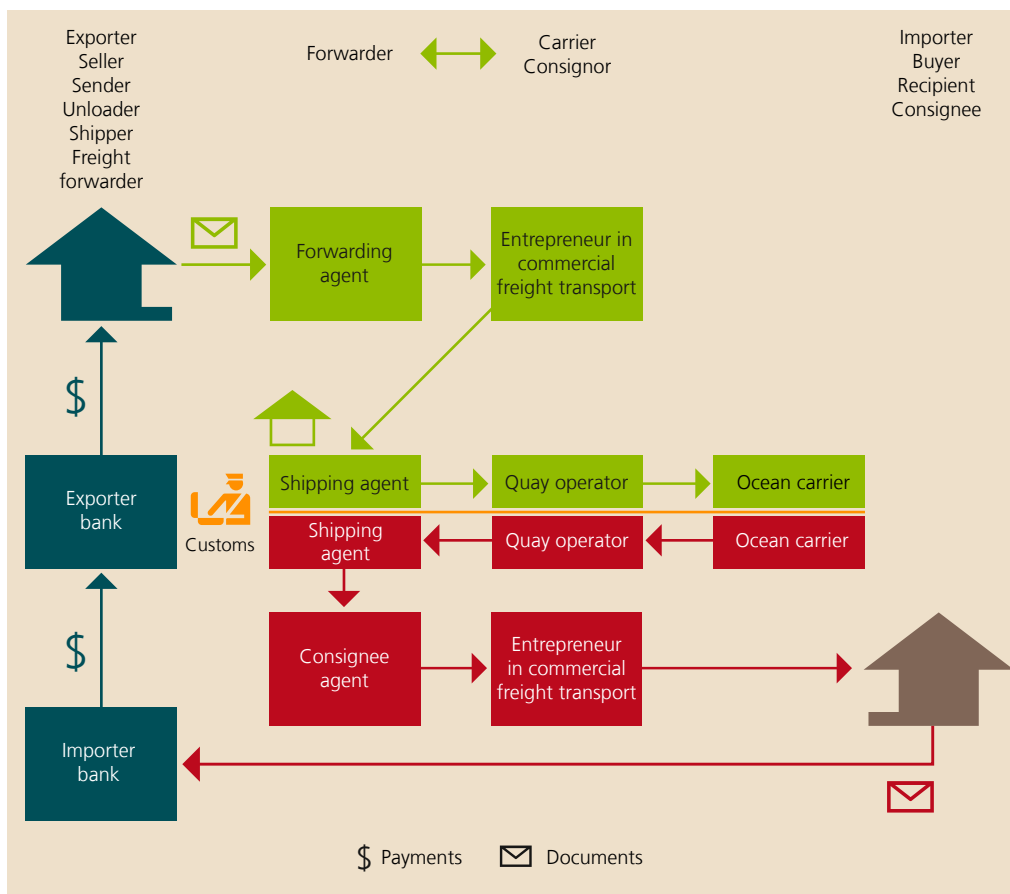
# 1. Terms of delivery and contracts of sale

How and at what point are terms of delivery set for international business? What impact do they have?

When there are problems with contracts of sale, they normally only occur on or after delivery of the goods despite the fact that their causes in most cases arise prior to the legally binding conclusion of the contract of sale. The first mistakes are often made in the offer phase when the contract is negotiated and the offer submitted. The greatest of care is required here, particularly when selecting the terms of delivery. The selected terms of delivery exert an impact on the price, packaging, organization of transport, costs and risks of transport as well as customs clearance and above all also on the delivery date.

The following illustration provides a sample outline of the possible procedure for an international business transaction. Depending on the wishes of the seller and buyer, the splitting of the transport costs and risks between the two parties can vary greatly. Each means of transport, each terminal, each quay, each point during the transit of goods to the buyer can potentially serve as the place of delivery.

**Figure 1: Transport route and parties involved**



As well as forwarders and carriers, customs authorities, banks and insurance companies are involved in the delivery. They are all subject to the specifically agreed terms of delivery, as they are required to implement the respective agreements between seller and buyer. It is therefore important only to collaborate with reliable partners who can be held responsible in the event of problems (claims, delays etc.).<sup>1</sup>

The selection of a specific term of delivery also always has an impact on the documentation, whether this is in paper form or electronic. As well as invoices (including pro forma letter bills), quality certificates, insurance policies, customs papers (for import, transit and export of the goods) and documents for payment settlement (remittance orders, bills of exchange, cheques etc.), above all shipping and transport papers are required.

From a legal perspective, a distinction is to be drawn between documents of title and supporting/accompanying documents. Documents of title comprise (if they state "to order") the consignment bill (inland waterway bill of lading), the bill of lading (b/l), the warehouse receipt and the transport insurance policy.<sup>2</sup>

All other documents are attributable to the group of supporting/accompanying documents. The documents of title have the properties of a security, which means that upon handover of the document, ownership of the good(s) is transferred to the buyer (without the good(s) themselves being handed over physically).

<sup>1</sup> Mantissa e-learning (2019)

<sup>2</sup> UGB Austria, 2019, § 363 (2), HGB Germany, 2019, p. 159 § 448 and Swiss Code of Obligations, 2017, p. 364 Art. 967 (1) and p. 412 ff. Art. 1145 ff.

## 2. Terms of delivery requirements

### What do exporters and importers expect from the terms of delivery?

Exporters and importers are both interested in defining the terms of delivery as simply and pragmatically as possible. The more rational, the better. Furthermore, the terms of delivery should be regulated uniformly for all sectors, goods and countries of the world. This also means that brokered terms of delivery offer a high standard of legal security and delivery agreements should (if necessary) be legally enforceable throughout the world in the event of failure to properly fulfil the terms of delivery. The terms of delivery should also be objective and neutral, i.e. not a priori favouring one or other of the contracting parties.

A significant problem lies in the fact that conditions frequently applied in domestic business, such as "ex works", "ex stock", "carriage paid to" or "delivered free" are unsuitable for international business due to the different statutory provisions and trading practices (usages). And this is to say nothing of exotic delivery agreements such as "free at port", "free arrival", "free into store", "free under tackle" or "door-to-door". Terms of delivery are therefore required that can be applied both nationally and internationally and above all transcend the general legal regulations such as those contained in the UN Convention on Contracts.<sup>3</sup>

For this reason, the International Chamber of Commerce (ICC) has drawn up the Incoterms (**I**nternational **C**ommercial **T**erms) that largely fulfil all these requirements. They are also updated at regular intervals (every ten years) by a network of 500 experts so that detailed regulations are available for each individual delivery requirement. This also explains why these conditions are in force in over 120 countries throughout the world for 90 percent of all international contracts of sale and increasingly also domestically.<sup>4</sup>

The Incoterms are not a law in themselves but are incorporated as separate conditions in the contract of sale and/or in the General Terms and Conditions and thus form part of the subject matter of the contract. For each condition defining a given delivery commitment between seller and buyer, there is a code consisting of three letters. This must be stated together with the remark "Incoterms® 2020" and a precise location in the form of a clear address for the place of delivery and/or destination. The brand symbol can be omitted.<sup>5</sup>

The Incoterms® 2020 can and should be incorporated as part of the subject matter of the contract for contracts to be fulfilled from 1 January 2020. Older Incoterms versions may continue to be used if desired by the contracting parties (such as in case of insufficient knowledge of the "new" conditions). The desired version must be specified accordingly in the contract (e.g. Incoterms® 2010).<sup>6</sup>

Regardless of the applicable version of the Incoterms, the original language is always English. Official translations of the ICC are available in more than 30 different languages, are considered to be accurate and can therefore be used without any problem.<sup>7</sup>

<sup>3</sup> UN Convention on Contracts, 2019, p.10 et seq.

<sup>4</sup> ICC Germany e.V., no date and ICC Germany e.V., 2019, p.1 et seq.

<sup>5</sup> Gröske, 2013, p.25 et seq. and ICC Germany e.V., 2019, p.3 et seq.

<sup>6</sup> Kluge, 2019

<sup>7</sup> Gröske, 2013, p. 23 and WKO, 2017.

### 3. What the Incoterms are all about

What is the logic and reasoning behind the Incoterms® 2020?  
What general principles do the terms embody?

The Incoterms® 2020 are logically and systematically structured, easy to apply and do not require any major prior knowledge. The only thing that it is important to know is which form of transport is being applied to the specific transaction at hand. There are conditions for all types of transport (particularly suitable for container transports) and those that only apply to maritime and inland waterway transports.<sup>8</sup>

The first group of conditions is also intended for multimodal transports combining two or more types of transport (such as road with railway or maritime transport):

- EXW = Ex Works
- FCA = Free Carrier
- CPT = Carriage Paid To
- CIP = Carriage and Insurance Paid to
- DAP = Delivered At Place
- DDU = Delivered at Place Unloaded
- DDP = Delivered Duty Paid

Conditions only for maritime and inland waterway transports:

- FAS = Free Alongside Ship
- FOB = Free On Board
- CFR = Cost and Freight
- CIF = Cost, Insurance and Freight

As with the previous versions, the Incoterms® 2020 – following the transport route from seller to buyer – can be divided into four groups: the label of each group is derived from the first letter of the allocated code(s). *Group E* consists of a single condition and poses a minimum commitment for the seller. It comprises a departure and collection condition (marked blue in the illustration). *Group F* is characterized by more or less extensive pre-carriage on the part of the seller, while the main transport (Main Carriage Unpaid) is carried out by the buyer (also marked blue in the illustration). *Group C* adds a division of the costs and risks to this: Main Carriage Paid (marked green in the illustration). This group offers a kind of compromise solution as the assumption of transport costs by the seller is matched by the assumption of risks (for the main transport) by the buyer. The fourth group, *Group D*, entails a maximum commitment by the seller: arrival conditions (marked orange/gold in the illustration). Here the seller bears the costs and risks up to a specified location or port in the country of the buyer.

<sup>8</sup> ICC Germany e.V., 2019, p. 11

A distinction can also be drawn between one-point and two-point clauses. All the conditions of *Groups E, F and D* comprise one-point clauses for which the costs and risks are jointly transferred from the seller to the buyer at the agreed location. However, the conditions of *Group C* comprise two-point clauses because in this case the costs are not transferred from the seller to the buyer until a later stage, while the risks are transferred earlier. For this reason, both the place of delivery (transfer of risks) and the place of destination (transfer of costs) must be specified accurately here.<sup>9</sup>

In the Incoterms, a delivery date agreed in the contract of sale always refers to the transfer of risks. Even if the seller bears the costs maximally until arrival at the buyer, it cannot, in the case of the *C conditions*, be held liable for a late arrival of the good(s) at this location. It is only responsible for timely transfer up to the point where the buyer assumes the risks. In practice the buyer often also requests a specific arrival date in the case of the *C conditions*. If the seller agrees to this, this should also be specifically stated as the arrival date (arrival).<sup>10</sup>

**Figure 2: Incoterms® 2020 – grouping**

<b>Group E</b>	<b>Departure</b>
<b>EXW</b>	Ex Works (... named place of delivery)
<b>Group F</b>	<b>Main Carriage Unpaid</b>
<b>FCA</b>	Free Carrier (... named place of delivery)
<b>FAS</b>	Free Alongside Ship (... named port of shipment)
<b>FOB</b>	Free On Board (... named port of shipment)
<b>Group C</b>	<b>Main Carriage Paid</b>
<b>CPT</b>	Carriage Paid To (... named place of destination)
<b>CIP</b>	Carriage and Insurance Paid to (... named place of destination)
<b>CFR</b>	Cost and Freight (... named port of destination)
<b>CIF</b>	Cost, Insurance and Freight (... named port of destination)
<b>Group D</b>	<b>Arrival</b>
<b>DAP</b>	Delivered At Place (... named place of destination)
<b>DPU</b>	Delivered at Place Unloaded (... named place of destination)
<b>DDP</b>	Delivered Duty Paid (... named place of destination)

<sup>9</sup> Büter, 2013, p. 225

<sup>10</sup> Gröske, 2013, p. 67 and ICC Germany e.V., 2019, p. 6

Each clause contains ten commitments for sellers (= A) and buyers (= B). The commitments are always preceded by explanatory comments. These illustrate the specific delivery and transfer of risks and briefly discuss the appropriate form of transport, the exact place of delivery, the export, transit and import of the good(s) and other particularities. Conclusions can be drawn from this as to what the applicable clause is and is not suitable for.<sup>11</sup>

**Figure 3: Incoterms® 2020 – commitments of sellers and buyers**

Seller		Buyer	
<b>A1</b>	General obligations	<b>B1</b>	General obligations
<b>A2</b>	Delivery	<b>B2</b>	Takeover
<b>A3</b>	Transfer of risks	<b>B3</b>	Transfer of risks
<b>A4</b>	Transport	<b>B4</b>	Transport
<b>A5</b>	Insurance	<b>B5</b>	Insurance
<b>A6</b>	Delivery/transport document	<b>B6</b>	Delivery/transport document
<b>A7</b>	Export/import clearance	<b>B7</b>	Export/import clearance
<b>A8</b>	Inspection/packaging/labelling	<b>B8</b>	Inspection/packaging/labelling
<b>A9</b>	Cost allocation	<b>B9</b>	Cost allocation
<b>A10</b>	Notifications	<b>B10</b>	Notifications

Many commitments apply in the same manner to all delivery terms. As the Incoterms are not intended to exclude sector and loading-specific characteristics, any trading practices (usages) must be additionally observed for all terms, such as if an item is normally delivered loose (without packaging) or is usually packaged in bags or wooden boxes.

The seller is always committed to fulfilling delivery of the good(s) and commercial invoice in accordance with the contract of sale. Any transport can be carried out through the commissioning of a carrier or forwarder or by the seller itself (e.g. with its own truck). The self-transportation option applies to the FAC, DAP, DPU and DDP terms. The seller is also at all times responsible for the correct packaging. It can invoice the buyer the costs of packaging (as long as the buyer has been informed of this on conclusion of the contract) or include them in the price. Stowing the good(s) in a container is not included in the packaging commitment. If the seller is also to be responsible for stowing the good(s) in the container, this must be additionally agreed.<sup>12</sup>

Similarly, the buyer must inspect and accept the good(s) and ensure payment of the purchase price. The Incoterms do not set out the time of payment, the payment method and the transfer of ownership. The provisions contained in the Incoterms always apply only to delivery of the good(s) themselves. In order to ensure timely and sufficient communication about the time of shipping or arrival of the good(s), delays and the like, all Incoterms include a notification commitment for sellers and buyers.<sup>13</sup>

<sup>11</sup> ICC Germany e.V., 2019, p. 13.

<sup>12</sup> ICC Deutschland e.V., 2010, p. 138

<sup>13</sup> ICC Germany e.V., 2019, p. 3 et seq.

All documents can be provided electronically if this has been agreed or is customary. The seller must also provide assistance with all documents that the buyer requires for transport, export, transit or import as well as for security-related requirements. It must procure and make available all necessary information but may charge the costs for this to the buyer.

Until the time of handover of the good(s), the seller is responsible for assuming the costs of goods examination (weighing, goods analysis etc.). This may be required, for example, upon handover of the good(s) to a forwarder or carrier, loading onto a means of transport or upon export, transit and import (customs clearance). The term "export" is viewed comprehensively in the same way as "import" and with the Incoterms always includes all approvals, security clearances, controls, customs duties, taxes (also import sales taxes) and other duties incurred upon export, transit or import.

Some terms envisage selection options on the part of the seller and/or buyer. This is the case, for instance, for FCA or FOB if the buyer needs to procure a means of transport and does not know at the time of conclusion of the contract when and/or where this will specifically be available. Here it makes sense with regard to delivery and payment dates (such as for letters of credit) to agree in the contract in advance a general provision in case the right of selection is not exercised on time. This could, for example, be phrased as follows: "The consignment shall be delivered by 15 July 20XX to forwarder XY (*exact address*) if the buyer has not specified another forwarder or carrier by 5 July 20XX."

Addendums to the Incoterms should be avoided as far as possible. The reason for this is that the precise provisions of the Incoterms are diluted, adjusted and/or made ambiguous by addendums. This can cause major problems in the event of a dispute.<sup>14</sup>



**Containers simplify transport, Incoterms define the rules.**

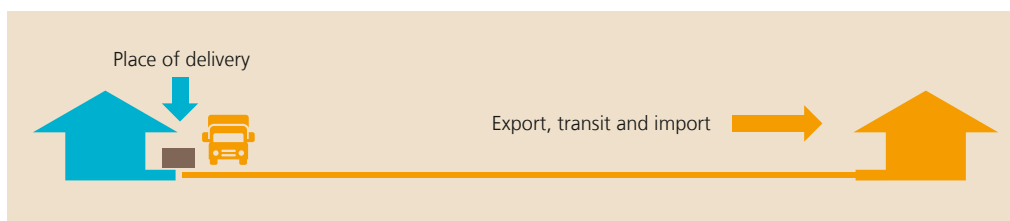
<sup>14</sup> Vgl. Büter, 2013, p. 221 et seq., ICC Germany e.V., 2019, p. 20 and Jahrmann, 2016, p. 164 et seq.

## 4. The terms in detail

What do companies have to be aware of in particular when it comes to individual terms?

### 4.1. EXW = Ex Works

Figure 4: EXW delivery



In the case of EXW (named place of delivery), under Incoterms® 2020 the place of delivery is also the point of transfer of costs and risks (one-point clause). The term poses a minimum commitment for the seller. EXW is primarily suited to the trade in goods nationally and within a customs union (e.g. EU). FCA is a better option for international trade.

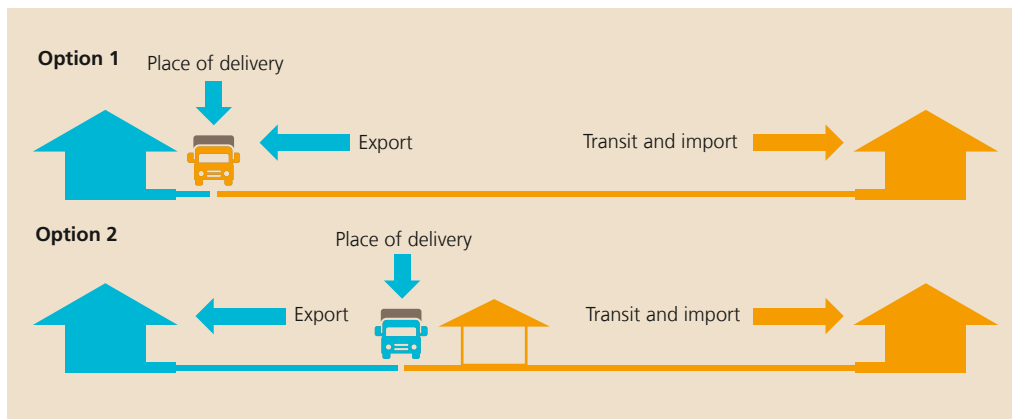
The delivery commitment of the seller comprises the handover of the good(s) at a suitable location at the seller's end. However, it does not include loading the good(s) at the place of delivery and must therefore be applied with caution. Should the seller nevertheless carry out loading, this is at the risk and cost of the buyer. Attention must again be drawn here to the notification commitment. The seller should contact the buyer and inform the latter of the consequences in advance. This is particularly the case if the buyer has the good(s) collected and its carrier is unable or unwilling to load the good(s) itself.

The seller is furthermore not obliged in the case of EXW to clear the good(s) for export. The buyer must take care of export, transit and import. However, with EXW the buyer only has a limited obligation to provide information to the seller regarding the export. This can be relevant above all from a VAT perspective if the seller lacks receipts for the export of the good(s) so that no export transaction is at hand for VAT purposes.<sup>15</sup>

<sup>15</sup> ICC Germany e.V., 2019, p. 25 et seq.

## 4.2. FCA = Free Carrier

Figure 5: FCA delivery



Under Incoterms® 2020, the place of delivery also corresponds to the point of transfer of costs and risks (one-point clause) in the case of FCA (named place of delivery). There are two options possible for the place of delivery in the case of FCA:

- Option 1 = Delivery to seller: the seller is responsible for the loading and export of the good(s).
- Option 2 = Delivery to another location (e.g. carrier, forwarder, terminal): the seller must hand over the good(s) to the carrier specified by the buyer ready for unloading on the means of transport and assume responsibility for the export.

With both options the buyer must conclude the contract of carriage for the main transport and bear the costs and risks of this. The buyer is also responsible for the transit and import of the good(s).

A special provision applies where the seller hands over the good(s) to a carrier in the case of maritime transport and requires an "on-board bill of lading" for payment processing (in particular within the framework of a letter of credit). This document is not issued until the good(s) is/are on board the ship (i.e. at a later time than handover to the carrier). The buyer is then obliged to hand over this document to the seller.<sup>16</sup>

<sup>16</sup> ICC Germany e.V., 2019, p. 16 et seq. and 33 et seq.

### 4.3. CPT = Carriage Paid To

Figure 6: CPT delivery



In the case of CPT (named place of delivery), the place of delivery and place of destination under Incoterms® 2020 are different (two-point clause). It is therefore necessary to specify the place of delivery and place of destination as precisely as possible. With CPT, the delivery obligation of the seller consists of handover of the good(s) to the (first) carrier if no other place of delivery has been specified. The risks are transferred at the place of delivery. The seller must conclude the contract of carriage (up to the place of destination) at the customary conditions at its own cost. Transport must take place on the usual route in the customary manner with suitable means of transport. The provisions here are the same as those of the UN Convention on Contracts.<sup>17</sup>

If customary, a transport document with transfer function (document of title) must be provided. The document of title must always consist of a full set, i.e. all originals issued.

The transfer of costs takes place at the place of destination. The seller is responsible for the export. It must also bear the unloading costs at the place of destination if this is agreed in the contract of carriage. If this is not the case, the buyer must bear the unloading costs. Transit and import must be assumed by the buyer (regarding costs and processing).<sup>18</sup>

<sup>17</sup> UN Convention on Contracts, 2019, p. 11 Art. 32 (2).

<sup>18</sup> ICC Germany e.V., 2019, p. 47 et seq.

#### 4.4. CIP = Carriage and Insurance Paid to

Figure 7: CIP delivery



Apart from the insurance commitment, the CIP term (named place of delivery) under Incoterms® 2020 is identical with the CPT term. The place of delivery and place of destination are also distinct for CIP (two-point clause). It is therefore necessary to specify the place of delivery and place of destination as precisely as possible. With CIP, the delivery obligation of the seller consists of hand-over of the good(s) to the (first) carrier if no other place of delivery has been specified. The risks are transferred here. The seller must also conclude the contract of carriage at the customary conditions at its own cost. Transport must take place on the usual route in the customary manner with suitable means of transport. If customary, a transport document with transfer function (document of title) must be provided. The document of title must always consist of a full set, i.e. all originals issued.

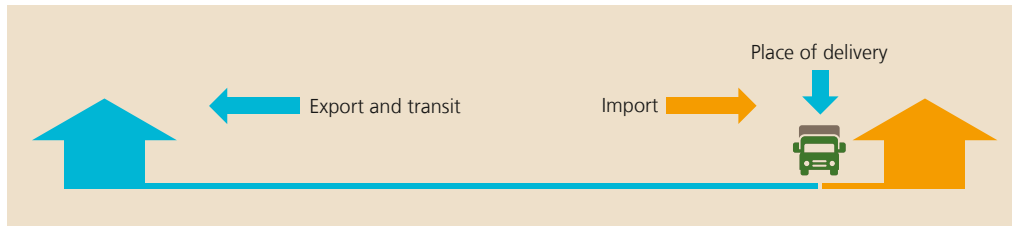
In addition, an insurance contract must be concluded by the seller with an insurance company with an unblemished reputation. The scope of the insurance cover must amount to 110 percent of the price of the good(s) in the contract currency. The insurance coverage must comprise full protection (*all risks*) in accordance with the international terms (A) of the Institute Cargo Clauses (Lloyd's Market Association/International Underwriting Association). In the event of a claim, the buyer must in all cases contact the insurance company to assert its damage claims.

The transfer of costs for delivery of the goods takes place at the place of destination. The seller is responsible for the export. It must also bear the unloading costs at the place of destination if this is agreed in the contract of carriage. If this is not the case, the buyer must bear the unloading costs. Transit and import must be assumed by the buyer.<sup>19</sup>

<sup>19</sup> ICC Germany e.V., 2019, p. 17 et seq. and 57 et seq.

## 4.5. DAP = Delivered At Place

Figure 8: DAP delivery



With DAP (named place of delivery) under Incoterms® 2020, the place of delivery is identical with the place of destination (one-point clause). The costs and risks are transferred to the buyer at this location. This place of delivery can be at the buyer end with DAP (as shown in the diagram). However, a terminal (in road, rail, maritime or aviation traffic) in the “vicinity” of the buyer is also possible for DAP. In contrast to FCA, with DAP the seller is responsible for organizing the main transport (= concluding a contract of carriage) and for paying and assuming the risks for this.

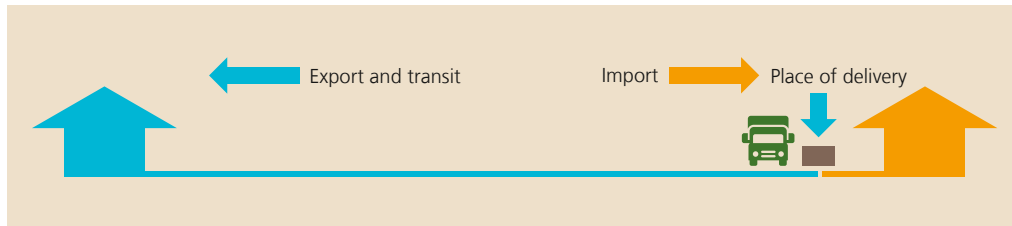
DAP is also designed for further transport (goods transshipment) beyond the terminal. The delivery obligation of the seller always ends on the incoming means of transport ready for unloading at the named place of delivery.

The seller must assume responsibility for export and transit but only bear the unloading costs if these are included in the contract of carriage. The buyer is responsible for the costs and risks of unloading as well as for import.<sup>20</sup>

<sup>20</sup> ICC Germany e.V., 2019, p. 69 et seq.

## 4.6. DPU = Delivered at Place Unloaded

Figure 9: DPU delivery



DPU (named place of delivery) under Incoterms® 2020 is a new Incoterms clause. It replaces and expands the DAT clause of Incoterms® 2010 such that the place of delivery is not limited to a terminal but can be at any location. The place of delivery is identical with the place of destination (one-point clause) at which the transfer of costs and risks takes place.

The delivery obligation of the seller includes the unloading of the good(s). The seller should therefore clarify in advance whether it is actually able to conduct this at the specified location. The seller must in all cases conclude the contract of carriage at its own cost. The place of delivery can, but does not have to be, at the place of business of the buyer. In particular, a terminal (in road, rail, maritime or aviation traffic) in the “vicinity” of the buyer is also possible here so that the seller is in all events required to take care of the main transport in terms of costs and risks.

If further transport of the good(s) on the means of transport is envisaged, DAP or potentially DDP is a better option. Export and transit here are the responsibility of the seller, while the buyer must take care of import.<sup>21</sup>

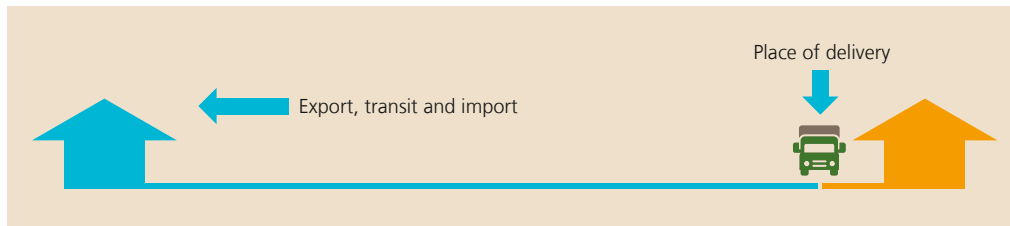


**The key difference for the unloading costs lies between DAP and DPU.**

<sup>21</sup> ICC Germany e.V., 2019, p. 19 and 79 et seq.

## 4.7. DDP = Delivered Duty Paid

Figure 10: DDP delivery



DDP (named place of delivery) under Incoterms® 2020 is identical with the DAP clause with the exception of import execution that here is to be assumed by the seller. The place of delivery is also the place of destination (one-point clause). The clause entails a maximum commitment for the seller. It is therefore recommended that the clause not be applied if the seller is unable to carry out the import (e.g. for lack of an import licence).

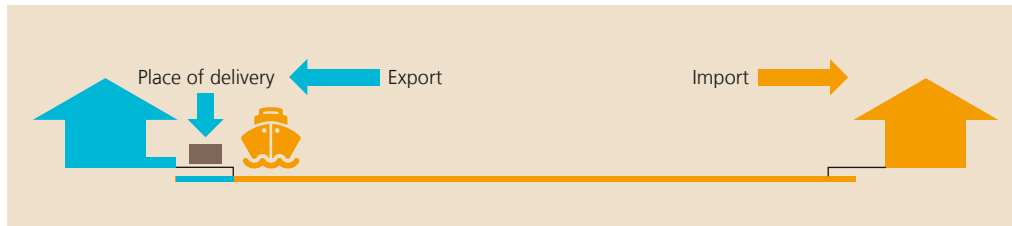
The delivery obligation of the seller ends on the incoming means of transport ready for unloading at the place of destination. It must conclude the contract of carriage at its own cost. However, it must only bear the unloading costs if this is included in the contract of carriage. If there is no such provision in the contract of carriage, the buyer must bear these costs.

The place of destination is in most cases at the buyer's end (by contractual agreement) but may also lie before this. It can also be a terminal (in road, rail, maritime or aviation traffic). It should be borne in mind that the last leg to the buyer's company headquarters can be expensive due to the geographical conditions. The seller is responsible for the export, transit and import. If specific import levies (such as import sales tax) are to be borne by the buyer, this must be agreed in addition.<sup>22</sup>

<sup>22</sup> ICC Germany e.V., 2019, p. 89 seq.

## 4.8. FAS = Free Alongside Ship

Figure 11: FAS delivery



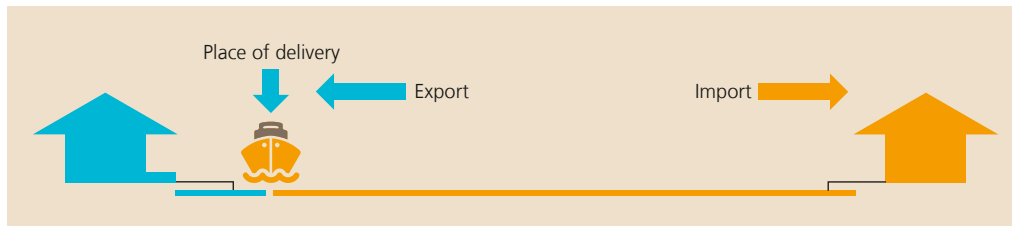
FAS (named port of shipment) under Incoterms® 2020 is exclusively applicable to maritime or inland waterway transports. The place of delivery is the point of transfer of costs and risks (one-point clause). The delivery must take place alongside the ship specified by the buyer. This can take place in a quay (unloaded in front of the ship) or on an inland waterway vessel.

FAS is primarily suited to raw material deliveries. For good(s) in containers, a delivery alongside the ship is uncommon as containers are normally handed over (beforehand) in a container terminal. FCA is therefore the better option here. With FAS the seller must assume responsibility for the export and the buyer for the import.<sup>23</sup>

<sup>23</sup> ICC Germany e.V., 2019, p. 101 seq.

#### 4.9. FOB = Free On Board

Figure 12: FOB delivery



Under Incoterms® 2020, the place of delivery also corresponds to the point of transfer of costs and risks (one-point clause) in the case of FOB (named port of shipment). This clause is only suitable for maritime and inland waterway transports. Delivery is fulfilled once the good(s) on board the ship specified by the buyer are set down in the port of shipment. With FOB the seller must assume responsibility for the export and the buyer for the import.

FOB is also (like FAS) primarily suited to raw material deliveries. For good(s) in containers, handover in a terminal is more practical as here both the condition of the good(s) and the time of delivery can be verified exactly. FCA is therefore more suitable for container deliveries.<sup>24</sup>



**Container or raw material? This influences the selection of Incoterms.**

<sup>24</sup> ICC Germany e.V., 2019, p. 111 et seq.

#### 4.10. CFR = Cost and Freight

Figure 13: CFR delivery



CFR (named port of destination) is also only suitable under Incoterms® 2020 for maritime and inland waterway transports. The place of delivery (= port of shipment) and place of destination (= port of destination) are distinct (two-point clause). The delivery obligation of the seller comprises the delivery put down on board the ship. The risks are transferred here (as with FOB).

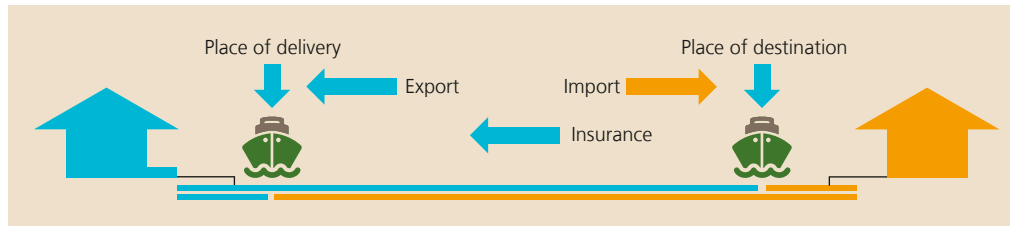
The clause is unsuitable where several forms of transport are combined (multimodal transport) and/or the good(s) are handed over to a carrier before they are on the ship as is largely the case with goods in containers. CPT is more suitable in this case. The seller must conclude the contract of carriage at the customary conditions for CFR. Carriage must take place on the customary route and with a ship that is normally suitable for transporting the good(s). A transport document with transfer function (= document of title) is prescribed here and the full set must always be handed over. If this document (normally a bill of lading) is not desired, it must otherwise be agreed in the contract of sale.

Regarding the transfer of costs, the seller is responsible for the freight costs up to the port of destination and for the export. It only bears the unloading costs if this is included in the contract of carriage. Otherwise the buyer must assume the unloading costs. The buyer must carry out and pay for the import.<sup>25</sup>

<sup>25</sup> ICC Germany e.V., 2019, p. 121 et seq.

## 4.11. CIF = Cost, Insurance and Freight

Figure 14: CIF delivery



The CIF clause (named port of destination) under Incoterms® 2020 corresponds to the CFR clause with the exception of the insurance obligation of the seller. CIF is also only suitable for maritime and inland waterway transports. The place of delivery (= port of shipment) and place of destination (= port of destination) are distinct (two-point clause). The transfer of risks from the seller to the buyer accordingly also takes place for CIF upon delivery unloaded on board the ship. The clause is unsuitable in the case of multimodal transport and/or where the good(s) are handed over to a carrier before they are on the ship (e.g. with containers). CIP is more suitable for this.

The seller must conclude the contract of carriage at the customary conditions. Carriage must take place on the customary route and with a ship that is normally suitable for transporting the good(s). A transport document with transfer function (= document of title) is also prescribed here and the full set must always be handed over. If this document (normally a bill of lading) is not desired, it must otherwise be agreed in the contract of sale.

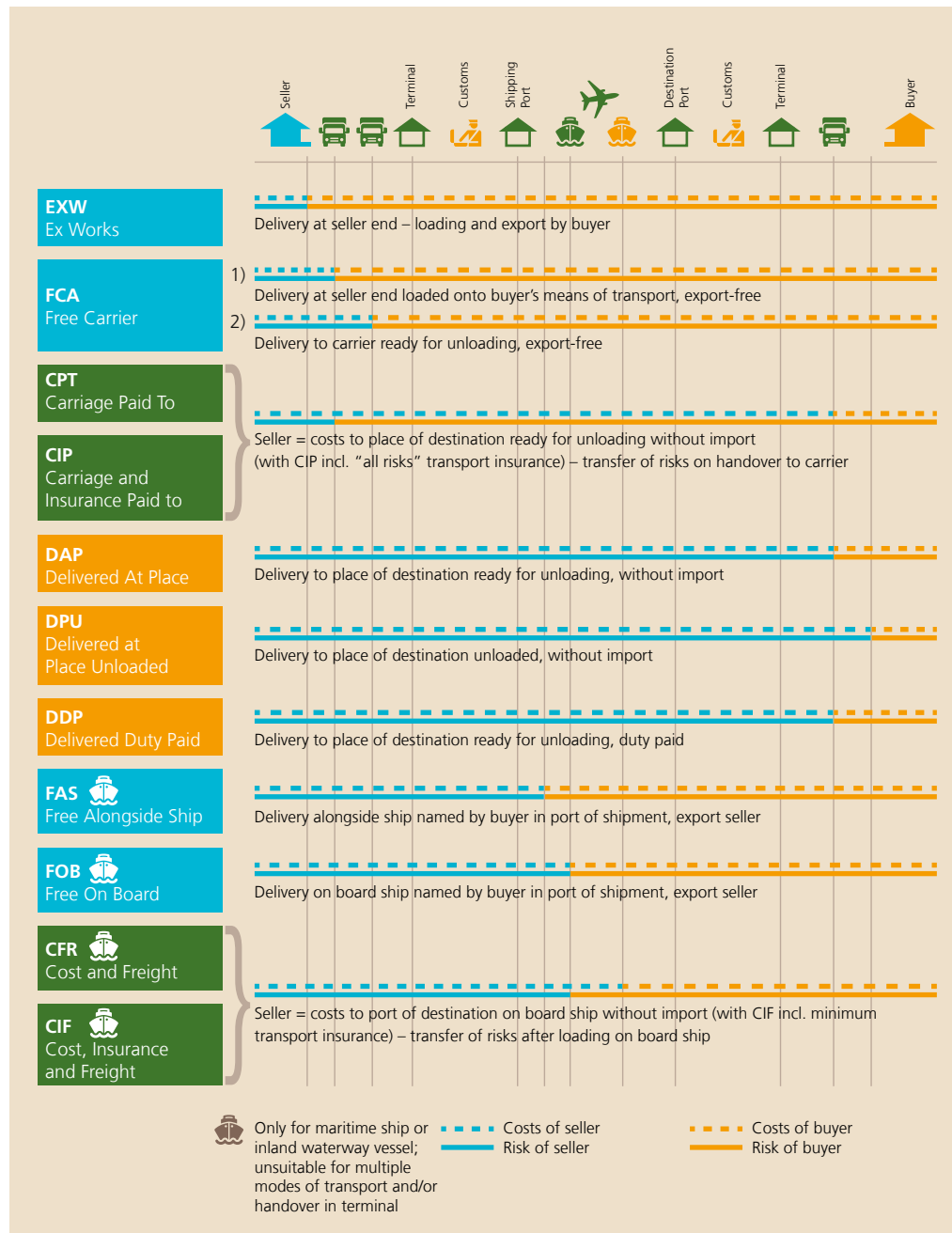
In addition, an insurance contract must be concluded by the seller with an insurance company with an unblemished reputation in the case of CIF. The scope of the insurance cover must amount to 110 percent of the price of the good(s) in the contract currency. However, the insurance coverage here (in contrast to CIP) must only comprise minimum cover. Proof must be supplied of this minimum cover in accordance with the international terms (C) of the Institute Cargo Clauses (Lloyd's Market Association/International Underwriting Association). In most cases the contracting parties also wish here to have higher or even full protection (all risks). This must be set out separately in the contract of sale. In the event of a claim, the buyer must contact the insurance company in order to assert its damage claims.

Regarding the transfer of costs, the seller must (in addition to the insurance) assume the freight costs up to the port of destination and the export costs. It must only assume the unloading costs if these are included in the contract of carriage. Otherwise the buyer must bear the unloading costs. The buyer must carry out and pay for the import.<sup>26</sup>

<sup>26</sup> ICC Germany e.V., 2019, p. 131 et seq.

## 5. General overview

Figure 15: Transfer of costs and risks under Incoterms® 2020 – overview



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