

Incoterms

Know Exactly Where Responsibility Shifts

Incoterms 2020, explained in plain English.

Incoterms define exactly when cost and risk pass from seller to buyer in an international shipment - and misunderstanding them is a common source of disputes and unexpected costs. Here's a plain-English breakdown of the current Incoterms 2020 rules.

What We Handle

Rules for Any Mode of Transport

Term	Meaning
EXW - Ex Works	Buyer takes on almost all responsibility, from the seller's premises onward
FCA - Free Carrier	Seller delivers goods to a carrier named by the buyer
CPT - Carriage Paid To	Seller pays freight to destination; risk transfers once handed to first carrier
CIP - Carriage & Insurance Paid To	Same as CPT, plus seller arranges insurance
DAP - Delivered at Place	Seller delivers, ready for unloading, at named destination
DPU - Delivered at Place Unloaded	Seller delivers and unloads at named destination
DDP - Delivered Duty Paid	Seller handles everything, including import duties, to buyer's door

Rules for Sea & Inland Waterway Transport

Term	Meaning
FAS - Free Alongside Ship	Seller delivers goods alongside the vessel at the port
FOB - Free on Board	Risk transfers once goods are loaded onto the vessel
CFR - Cost and Freight	Seller pays freight to destination port; risk transfers at loading
CIF - Cost, Insurance & Freight	Same as CFR, plus seller arranges insurance

Industry Insight

- FOB and CIF are the most commonly used terms in ocean freight, but they only apply to sea and inland waterway shipments - not air or multimodal
 - DDP places the most responsibility on the seller, including import duties - sellers should factor destination country customs costs in carefully before agreeing to it
 - The Incoterm chosen affects who arranges insurance and who bears risk during transit - it's worth confirming before, not after, a shipment departs
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Not Sure Which Term Applies to You? Choosing the right Incoterm affects your cost, risk and paperwork. We can walk you through it for your specific shipment.

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