

Terms of Sale – How they work and affect cargo insurance

Internationally recognised terms of sale called INCOTERMS determine the responsibilities of the exporter and importer of goods.

Ownership of goods changes between the exporter and importer at different stages of transit, depending on the terms of sale. The table below contains some of the more frequently used terms and the point at which risk passes from the seller to the buyer.

The need to arrange cargo insurance depends on who owns the goods at different stages of transit.

<u>Term</u>	<u>Which Means</u>	<u>Ownership transfers</u>	<u>Insurance to be covered by</u>
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GROUP E - DEPARTURE

EXW	Ex Works	When goods have been placed at the disposal of the buyer at the seller's premises.	Buyer, from seller's premises
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GROUP F – MAIN CARRIAGE UNPAID

FCA	Free Carrier	When goods have been delivered into the custody of the carrier named by the buyer.	Buyer (seller up to the carrier)
FAS	Free Alongside Ship	When goods have been placed alongside the ship at the named port of shipment	Buyer (seller up to the ship's side)
FOB	Free On Board	When goods pass over the ship's rail at port of shipment	Buyer (seller up until on the ship)

<u>Term</u>	<u>Which Means</u>	<u>Ownership transfers</u>	<u>Insurance to be covered by</u>
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GROUP C – MAIN CARRIAGE PAID

CFR aka CNF	Cost and Freight (previously known as C&F)	As for FOB, but the seller also prepays the freight to destination	Buyer (seller up until on the ship)
CIF	Cost, Insurance and Freight	Same as for CFR above, but seller also procures marine insurance	Seller (insurance policy purchased by Seller and sold to buyer with cost of goods)
CPT	Carriage Paid To.... (named point of destination)	When goods delivered into custody by first carrier who undertakes carriage from place of departure	Buyer (seller until delivered into custody by first carrier)

CIP	Carriage & insurance Paid To (named point of destination)	When goods delivered into custody by first carrier who undertakes carriage from place of departure	Seller (insurance policy purchased by Seller and sold to buyer with cost of goods)
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<u>Term</u>	<u>Means</u>	<u>Ownership transfers</u>	<u>Insurance to be covered by</u>
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GROUP D – ARRIVAL

DAF	Delivered at Frontier	When goods put at disposal of buyer at named place at frontier	Seller (to frontier) Buyer (from frontier)
DES	Delivered Ex Ship	When goods have been put at the disposal of the buyer on board the ship uncleared for import at named port of destination	Seller
DEQ	Delivered Ex Quay [Duty Paid]	When goods have been made available to the buyer on the quay (wharf) at the named port of destination, cleared for importation.	Seller
DDU	Delivered Duty Unpaid	When goods put at disposal of buyer at named place of destination (Duty unpaid)	Seller
DDP	Delivered Duty Paid	When goods put at disposal of buyer at named place of destination (including prepaid Customs Duty)	Seller
FIS	Free Into Store	When goods have been accepted duty paid at the buyer's warehouse (not an internationally recognised term of sale).	Seller