



# Marine Cargo



## INCOTERMS

### What are INCOTERMS?

The buying and selling of goods internationally can involve complex contractual agreements on subjects such as responsibility for delivery, payment, liability for defective goods, interest on sums overdue etc. INCOTERMS provide a useful and internationally understood shorthand method of addressing certain contractual issues such as who is responsible for delivery of the goods and who insures them whilst in transit. They are not a full set of terms of trade, are not a substitute for having a formal written contract and they only address certain specific issues. The current INCOTERMS (2000) are set out over 215 pages and you should have a copy available to refer to if you intend to incorporate these terms in a contract.

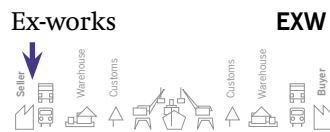
### Why incorporate INCOTERMS in a contract?

Whilst a full contract between buyer and seller is advisable, INCOTERMS allow the parties to negotiate and agree the basic rights and responsibilities using shorthand terms even where the buyer and seller are widely separated by geographical, cultural or linguistic differences. The INCOTERMS 2000 are set out in four categories. The responsibility on the seller increases, from where the buyer must come to the seller's premises on a named date to collect the goods, to where the seller agrees to get the goods to the buyer's premises in their own country. The final contractual terms should be agreed prior to sale and the INCOTERMS agreed should be incorporated and expanded upon as necessary in the final contract. Set out below are the current 2000 INCOTERMS with a brief outline of their meaning in the order of increasing responsibility on the seller.

NB: ↓ on all diagrams shows the point at which risk is transferred from seller to buyer.

### Group E- Departure

(Seller only responsible to make goods available for collection)



Seller responsible to make goods available at named premises at agreed date. Buyer responsible to load goods and transport them to their final destination.



### Group F- Main carriage unpaid

(Seller delivers goods to a carrier in their own country)



Seller responsible to hand over goods cleared for export into the hands of a named carrier at a named place. Buyer responsible for goods once delivered to the named carrier at the named place.

### Free Alongside Ship FAS

Seller responsible to deliver the goods cleared for export alongside the named vessel at the named port on the named date and in the manner customary at that port. Buyer responsible from when the goods arrive alongside the vessel.



### Free On Board FOB

Seller responsible to deliver the goods over the vessel's rail at a named port, on an agreed date cleared for export and in the manner customary at that port. Buyer responsible once goods have cleared ship's rail.



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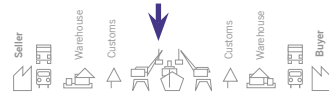
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### Group C - Main carriage paid

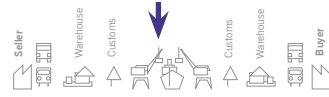
(Seller contracts for carriage of goods to final destination but is not responsible for loss or damage after shipment/dispatch)

#### Cost and Freight **CFR**



Seller pays for costs and freight to deliver the goods to a named foreign port or destination, however only responsible for loss, damage, extra expense etc, until over ship's rail. Buyer responsible once over ship's rail.

#### Cost Insurance and Freight **CIF**



Seller responsible as above however must also provide insurance cover to destination. Buyer responsible once over ship's rail.

#### Carriage Paid To **CPT**



Seller pays costs and freight to a named foreign destination and clears customs, responsible for the goods until delivered into the hands of a named carrier at named departure point in the seller's own country. Buyer must accept delivery at named carrier at named departure point and is responsible for goods from then on and collects them from named carrier at named destination.

#### Carriage and Insurance Paid to **CIP**



Seller is responsible as for CPT, however provides insurance to destination. Buyer is responsible as for CPT.

### Group D - Arrival

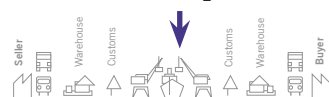
(Seller bears all costs and risks in delivering goods to their destination)

#### Delivered at Frontier **DAF**



Seller responsible until goods delivered at a named place on a named frontier at a named date. Buyer responsible once goods have arrived at the named place on the named frontier on the named date and must clear the goods for import and arrange onward transport.

#### Delivered Ex-Ship **DES**



Seller responsible to make goods available to the buyer on board ship at a named destination. Buyer responsible once goods become available and must obtain clearance for import and arranging onward transportation.

#### Delivered Ex-Quay **DEQ**



Seller responsible to make goods available to buyer on the quayside at a named port. Buyer responsible once the goods have been made available on the quayside and must clear the goods for import and arrange onward transport.

#### Delivered Duty Unpaid **DDU**



Seller responsible to make goods available at named destination in the buyer's country and bears the risks and costs of getting them there, excluding duties, taxes, other official charges and customs clearance at the destination. Buyer responsible once goods available at destination and must pay duties, taxes etc.

#### Delivered Duty Paid **DDP**



Seller responsible as DDU however must pay all duties, taxes, charges etc. and obtain clearance through customs etc. Buyer responsible as DDU however all duties, taxes etc. will have been paid.