All 11 Incoterms® 2020 Rules at a Glance

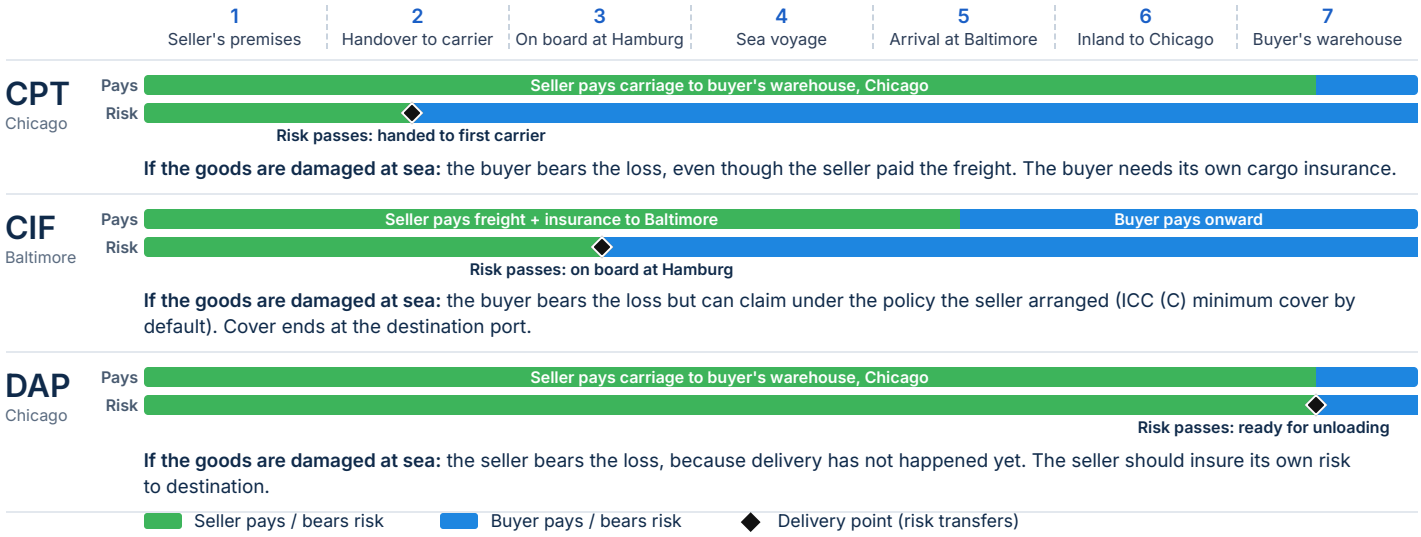
Each rule tells the buyer and seller where delivery happens, who arranges the main carriage and who must insure. Use the last column to check whether a rule fits your shipment before you agree to it.

Rule	Delivery — risk passes to buyer	Main carriage arranged by	Seller must insure?	Best used when / Watch out for
A. Rules for any mode of transport, including containers and multimodal				
EXW Ex Works (named place)	Goods made available at the named place, usually the seller's premises, not loaded.	Buyer	No	Best when the buyer has its own logistics and agents in the seller's country, or for domestic sales. Watch out the buyer must handle export clearance; any loading the seller does is at the buyer's risk. FCA is often the better choice.
FCA Free Carrier (named place)	Handed to the buyer's carrier: loaded at the seller's premises, or ready for unloading at another named place.	Buyer	No	Best when the buyer controls freight, including containers and air cargo. The most versatile buyer-arranged rule. Watch out name the place precisely. If a letter of credit needs an on-board bill of lading, agree that option in advance.
CPT Carriage Paid To (named destination)	Handed to the first carrier. The seller still pays carriage to the named destination.	Seller	No	Best when the seller can buy freight competitively and the buyer is happy to carry transit risk. Watch out the buyer bears transit risk on freight the seller booked, so the buyer should arrange its own insurance.
CIP Carriage and Insurance Paid To (named destination)	Handed to the first carrier, as CPT. The seller pays carriage and insurance to the named destination.	Seller	Yes ICC (A) default	Best when the buyer wants seller-arranged, broad cargo cover on any mode, including containers. Watch out check the policy, its exclusions and how to claim. Cover runs to the named destination only.
DAP Delivered at Place (named destination)	At the named destination, on the arriving vehicle, ready for unloading.	Seller	No	Best when the seller manages delivery to the door and the buyer handles import. Watch out the buyer must be ready to clear import and unload on arrival.
DPU Delivered at Place Unloaded (named destination)	At the named destination, after the seller unloads the goods.	Seller	No	Best when the seller has the equipment or services to unload at destination. Watch out if the seller cannot unload safely there, use DAP. DPU replaced DAT in 2020.
DDP Delivered Duty Paid (named destination)	At the named destination, import-cleared, ready for unloading.	Seller	No	Best when the seller can lawfully act as importer, or appoint one, in the buyer's country. Watch out the seller bears import duties and taxes. Whether import VAT/GST can be recovered depends on local law and the seller's registration.
B. Rules for sea and inland waterway transport only				
FAS Free Alongside Ship (named port of shipment)	Alongside the vessel at the named port of shipment.	Buyer	No	Best when shipping bulk, break-bulk or heavy-lift cargo loaded by the buyer's vessel. Watch out not suitable for containers handed over at a terminal. Use FCA instead.
FOB Free on Board (named port of shipment)	On board the vessel at the named port of shipment.	Buyer	No	Best when shipping bulk or non-containerised sea cargo with a buyer-nominated vessel. Watch out containers are usually handed over at a terminal days before loading. FCA fits better.
CFR Cost and Freight (named port of destination)	On board the vessel at the port of shipment. The seller pays freight to the destination port.	Seller	No	Best when the seller books sea freight for non-containerised cargo. Watch out the buyer bears the sea-voyage risk and should insure. For containers handed over at a terminal, use CPT.
CIF Cost, Insurance and Freight (named port of destination)	On board the vessel at the port of shipment. The seller pays freight and insurance to the destination port.	Seller	Yes ICC (C) default	Best when trading bulk commodities, often under letters of credit. Watch out the default cover is minimal; agree broader cover if needed. For containers handed over at a terminal, use CIP.

ICC (A) and ICC (C) refer to the Institute Cargo Clauses. Both CIP and CIF require cover of at least 110% of the contract price unless the parties agree otherwise. See page 3.

Who Pays and Who Bears the Risk? Three Examples

The same shipment can be sold on very different terms. Below, a seller in Hamburg ships a large machine as break-bulk cargo to a buyer in Chicago, via the Port of Baltimore. In each example the seller pays for transport a long way, but the risk transfers at very different points.



If the goods are damaged at sea: the buyer bears the loss, even though the seller paid the freight. The buyer needs its own cargo insurance.

If the goods are damaged at sea: the buyer bears the loss but can claim under the policy the seller arranged (ICC (C) minimum cover by default). Cover ends at the destination port.

If the goods are damaged at sea: the seller bears the loss, because delivery has not happened yet. The seller should insure its own risk to destination.

How each example would be written

```
CPT Buyer's warehouse, 450 W Lake St, Chicago, IL, USA Incoterms® 2020
CIF Port of Baltimore, MD, USA Incoterms® 2020
DAP Buyer's warehouse, 450 W Lake St, Chicago, IL, USA Incoterms® 2020
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The rule to remember

Always ask two separate questions: **who pays for the transport**, and **who bears the loss if the goods are damaged**. Under CPT, CIP, CFR and CIF the answers are different parties for most of the journey.

Common Cost Questions

Incoterms® rules set a default: the seller generally pays costs up to the delivery point and the buyer pays after it. Several charges also depend on the carriage contract, so name them in your sales contract or quotation.

Who pays terminal handling charges (THC)?

At origin, THC up to delivery is normally the seller's; under FOB that includes loading on board. At destination, THC is normally the buyer's under E, F and C rules unless the seller's carriage contract includes it. Carriers bill THC in different ways, so state it in the quote.

Who pays to unload at destination?

Under DPU, the seller. Under DAP, DDP and the C rules, normally the buyer, unless unloading is included in the seller's carriage contract; the seller then generally cannot recover it from the buyer unless agreed.

Who pays import duties and taxes?

The buyer under every rule except DDP. Under DDP the seller pays duties and taxes due on import unless the contract excludes some. VAT/GST recovery depends on local law.

Who loads the truck at the seller's premises?

Under EXW the seller is not obliged to load. If it does, that is at the buyer's risk unless otherwise agreed. Under FCA at the seller's premises, the seller loads, and delivery is complete once loaded.

Who pays the freight forwarder?

Incoterms® rules do not separately assign every freight-forwarder fee. Responsibility depends on the services provided, the applicable rule and the agreed contracts. Confirm these charges in the quotation.

Who pays for delays, storage or demurrage?

Generally the party whose failure caused them, for example a buyer who does not take delivery or nominate a vessel on time. Carrier charges such as demurrage are also governed by the carriage contract.

Six Critical Comparisons

These pairs are the ones buyers and sellers most often confuse. Each card shows the key difference, what it means in practice and when to choose each rule.

FCA vs FOB where delivery happens

KEY DIFFERENCE

FCA delivers to the buyer's carrier at a named place (any mode). FOB delivers on board a vessel (sea only).

IN PRACTICE

A container handed to a terminal on Monday and loaded on Wednesday is at the buyer's risk from Monday under FCA, but at the seller's risk until Wednesday under FOB, while the seller no longer controls it.

Choose FCA if...
goods are containerised, or travel by air, road or rail.

Choose FOB if...
bulk or break-bulk cargo is loaded directly onto the ship.

FCA vs EXW who exports

KEY DIFFERENCE

Under EXW the buyer handles export clearance and loading. Under FCA the seller clears the goods for export and, at its own premises, loads them.

IN PRACTICE

A foreign buyer often cannot lodge an export declaration in the seller's country, and the seller may still be named on export filings. FCA avoids this.

Choose FCA if...
the sale crosses a border; it is usually the safer minimum.

Choose EXW if...
the sale is domestic, or the buyer has a local agent to export.

DAP vs DDP who imports

KEY DIFFERENCE

Both deliver to the named destination ready for unloading. Under DDP the seller also clears import and pays import duties and taxes.

IN PRACTICE

DDP gives the buyer a landed price, but the seller must be able to act as, or appoint, the importer, and absorbs taxes it may not be able to recover.

Choose DAP if...
the buyer can clear import, or local rules restrict foreign importers.

Choose DDP if...
the seller is set up to import in the buyer's country.

DAP vs DPU who unloads

KEY DIFFERENCE

DAP ends with the goods on the arriving vehicle, ready for unloading. DPU ends after the seller has unloaded them.

IN PRACTICE

Damage during unloading is the buyer's risk under DAP and the seller's under DPU. DPU only works if the seller can unload at that site.

Choose DAP if...
the buyer has forklifts, cranes or staff at the destination.

Choose DPU if...
the seller arranges unloading, e.g. at a terminal or project site.

CPT vs CIP insurance

KEY DIFFERENCE

Same delivery and carriage. CIP adds a seller obligation to insure for the buyer's benefit, by default to ICC (A) for at least 110% of the price.

IN PRACTICE

Under CPT the buyer carries transit risk with no insurance provided. A buyer who forgets to insure can be left uncovered for the whole journey.

Choose CPT if...
the buyer has its own cargo policy (e.g. an annual open cover).

Choose CIP if...
the buyer wants insurance included and arranged by the seller.

CFR vs CIF insurance, sea only

KEY DIFFERENCE

Same on-board delivery and seller-paid freight. CIF adds seller-arranged insurance, by default only ICC (C) for at least 110%.

IN PRACTICE

ICC (C) covers only named major events such as fire, sinking or collision. It generally excludes theft and most handling damage.

Choose CFR if...
the buyer insures under its own policy.

Choose CIF if...
the contract or letter of credit requires an insurance document.

CIP vs CIF insurance at a glance

	CIP	CIF
Default level of cover	Institute Cargo Clauses (A) or similar: broad cover, subject to listed exclusions	Institute Cargo Clauses (C) or similar: a limited list of named risks
Minimum amount	At least 110% of the contract price	At least 110% of the contract price
Can the parties change it?	Yes, including agreeing lower cover	Yes, including agreeing higher cover
Cover runs	From delivery to the named place of destination	From delivery on board to the named port of destination
Buyer should check	The insurance document, the insured amount, exclusions, the claims process, and whether its own cover is needed beyond the named place or port.	

Before You Agree to an Incoterms® Rule

A rule only works if it is written correctly and fits the shipment. Use this page when drafting a quotation, purchase order or sales contract.

How to write it in your contract

Always state three things: **the rule**, **a precise named place or port**, and **the edition**.

✓ **Clear**

```
FCA Seller's warehouse, 120 Harbor Rd,
Savannah, GA, USA Incoterms® 2020
CIF Port of Rotterdam, Netherlands Incoterms® 2020
```

✕ **Unclear**

```
FOB Shanghai
```

No edition specified; the agreed loading port or location may need more detail

```
FOB Origin
```

A U.S. domestic shipping term, not an Incoterms® rule

Customs procedures vs customs costs

- Each rule separates **who carries out** export, transit and import formalities (articles A7/B7) from **who pays** the related costs (A9/B9).
- The seller clears for export under every rule except **EXW**. The buyer clears for import under every rule except **DDP**.
- Under DDP the seller also pays import duties and taxes unless the contract excludes some. Whether import VAT/GST is recoverable depends on local law and the seller's registration status.
- Check that the party responsible is legally able to act in that country before you agree.

What Incoterms® rules do not cover

- The price, payment method or payment terms
- When ownership (title) of the goods passes
- What happens if either party breaches the contract
- The terms of the carriage contract with the carrier
- Cargo insurance, except the seller's duty under CIP and CIF
- The description, quality or specification of the goods

Cover these in the sales contract itself.

Insurance: what each party should consider

- **Buyer:** under EXW, FCA, FAS, FOB, CPT and CFR, arrange cover from the delivery point. Under CIP and CIF, review the seller's policy and add cover where needed.
- **Seller:** insure your own risk up to delivery. Under the D rules that means the whole main journey.
- A seller that is not yet paid may consider contingency cover for transit beyond the delivery point.

What changed in Incoterms® 2020

- DPU (Delivered at Place Unloaded) replaced DAT.
- CIP default insurance raised to ICC (A); CIF stays at ICC (C).
- FCA option for the buyer's carrier to issue an on-board bill of lading.
- Parties may use their own transport under FCA, DAP, DPU and DDP.
- All costs listed together in A9/B9; security requirements added.

Pre-agreement checklist

- ☐ The rule suits the transport mode (avoid sea-only rules for containers handed to a terminal; never use them for air)
- ☐ Both parties agree who books and pays the main carriage
- ☐ Insurance is arranged for each party's risk, at the right level
- ☐ Terminal handling and other carrier charges are allocated
- ☐ The edition "Incoterms® 2020" is stated in the contract
- ☐ The named place or port is precise enough to locate
- ☐ The party clearing export or import can legally do so
- ☐ Loading and unloading responsibilities are clear
- ☐ Documents match the payment terms (e.g. letter of credit)
- ☐ Price, payment and title are covered elsewhere in the contract

Last reviewed: November 2026. Incoterms® 2020 is the current edition of the rules published by the International Chamber of Commerce (ICC).

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