

# INCOTERMS 2020



SEVEN OF THE TERMS REGULATE ALL TYPES OF TRANSPORTATION. THEY INCLUDE:

Term	Description	Transport	Risk	Cost
<b>EXW</b> (Exworks)	The seller delivers by making the goods available to the buyer.	0-100%	0-100%	0-100%
<b>FCA</b> (Free Carrier)	The seller delivers the goods to a carrier or an agent appointed by the buyer.	0-100%	0-100%	0-100%
<b>CPT</b> (Carriage Paid To)	The seller delivers the goods to a buyer-appointed agent or carrier and also pays for international carriage (transportation).	0-100%	0-100%	0-100%
<b>CIP</b> (Carriage and Insurance Paid To)	The seller delivers the goods to a buyer-appointed agent or carrier, pays for not only international carriage, but for insurance as well.	0-100%	0-100%	0-100%
<b>DAP</b> (Delivered At Place)	The seller makes the goods available to the buyer at a designated place.	0-100%	0-100%	0-100%
<b>DPU</b> (Delivered At Place Unloaded)	This term has been updated from its former designation, DAT (Delivered at Terminal). With DPU, the seller delivers the goods by making them available to the buyer by unloading them at a designated place.	0-100%	0-100%	0-100%
<b>DDP</b> (Delivered Duty Paid)	The seller places the goods at the buyer's disposal, duties paid ahead of time, cleared for import, and ready to unload at a designated place.	0-100%	0-100%	0-100%

FOUR OF THE RULES REGULATE INLAND WATERWAY AND OCEAN TRANSPORTATION. THEY ARE:

<b>FAS</b> (Free Alongside Ship)	The seller delivers the goods alongside a buyer-chosen vessel.	0-100%	0-100%	0-100%
<b>FOB</b> (Free On Board)	The seller delivers the goods onto a buyer-chosen vessel	0-100%	0-100%	0-100%
<b>CFR</b> (Cost And Freight)	The seller pays for the freight and costs to take the goods to a specific destination and delivers when the goods are on board a buyer-chosen vessel.	0-100%	0-100%	0-100%
<b>CIF</b> (Cost, Insurance, and Freight)	The seller pays for freight, costs, and insurance to get the goods to a specified destination and delivers when the goods are on board a buyer-chosen vessel.	0-100%	0-100%	0-100%

## How Have Incoterms Changed from 2010 to 2020?

The changes in the terms make it easier for you and your trading partners to choose the best Incoterms rule for your sales contract. Not only that, but they provide more clarity and flexibility, a game-changer for businesses and carriers in emerging nations as they participate more fully in the global marketplace. Changes include:

- Change in terminology from DAT to DPU: Requiring only a designated place rather than a terminal gives businesses and carriers more flexibility regarding where they unload and load.
- Changes in the FCA terms: With these changes, sellers can more easily receive payments from their buyers' banks. Sellers must usually provide banks with a bill of lading that indicates that the goods are on board the chosen transport. Unfortunately, carriers often have refused to issue the bills of lading if the goods come from an intermediate mode of transportation rather than the seller. The rule changes allow providers to instruct the carriers to provide them with a bill of lading with an on-board notation.
- Better insurance coverage for CIP: CIP requires insurance coverage from the Institute Cargo Clauses, Clause A, ensuring that the costs of goods are covered.
- in-house transportation now allowed: To give sellers more options for transporting their goods, the new Incoterms enable sellers to use their own trucks, planes, or ships to deliver their goods. For sellers with their own transportation, this change can cut costs and paperwork, making delivery more efficient.
- Improved security: With the need for extra security for both imports and exports, the ICC has spelled out new, tightened security requirements that govern cash, goods, and documents' trade terms.

\*Incoterms® 2020 applies only when the wording is clearly specifying that the contract is governed by Incoterms® 2020. An example would be: 614 Terminal Way, Berth 302-305 Pier 300, Terminal Island, CA 90731 Incoterms® 2020

\*This explanation of incoterms is for informational purposes only. For a complete guide on Incoterms 2020, please refer to the ICC's (International Chamber of Commerce) official handbook which is found here: <https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/>