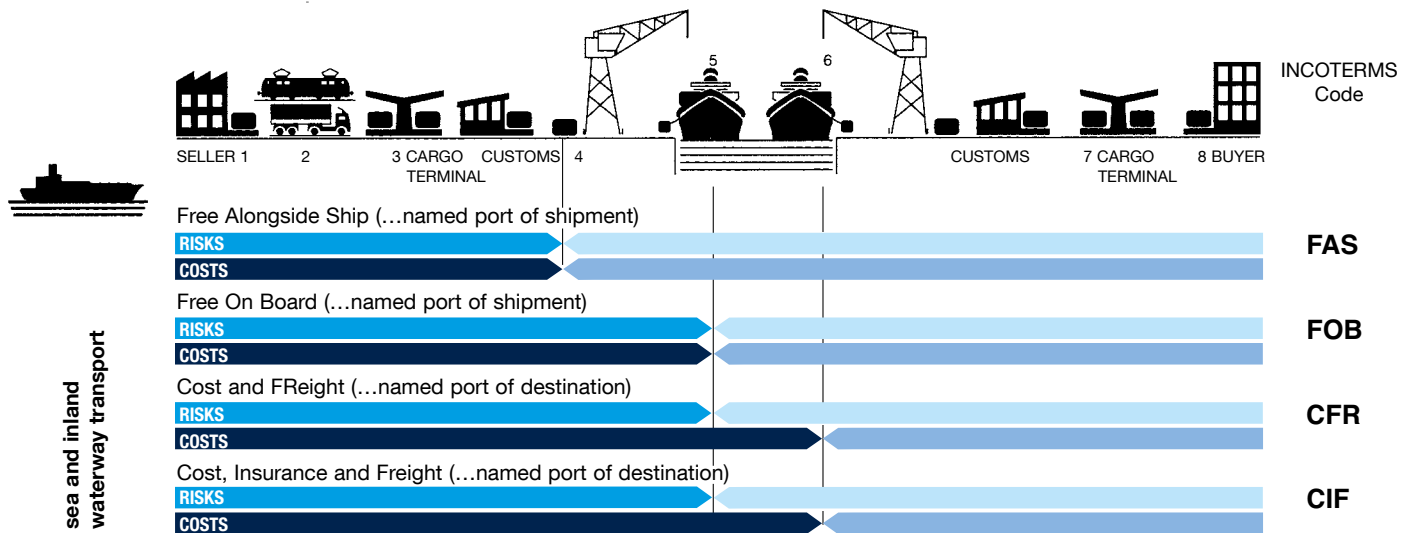
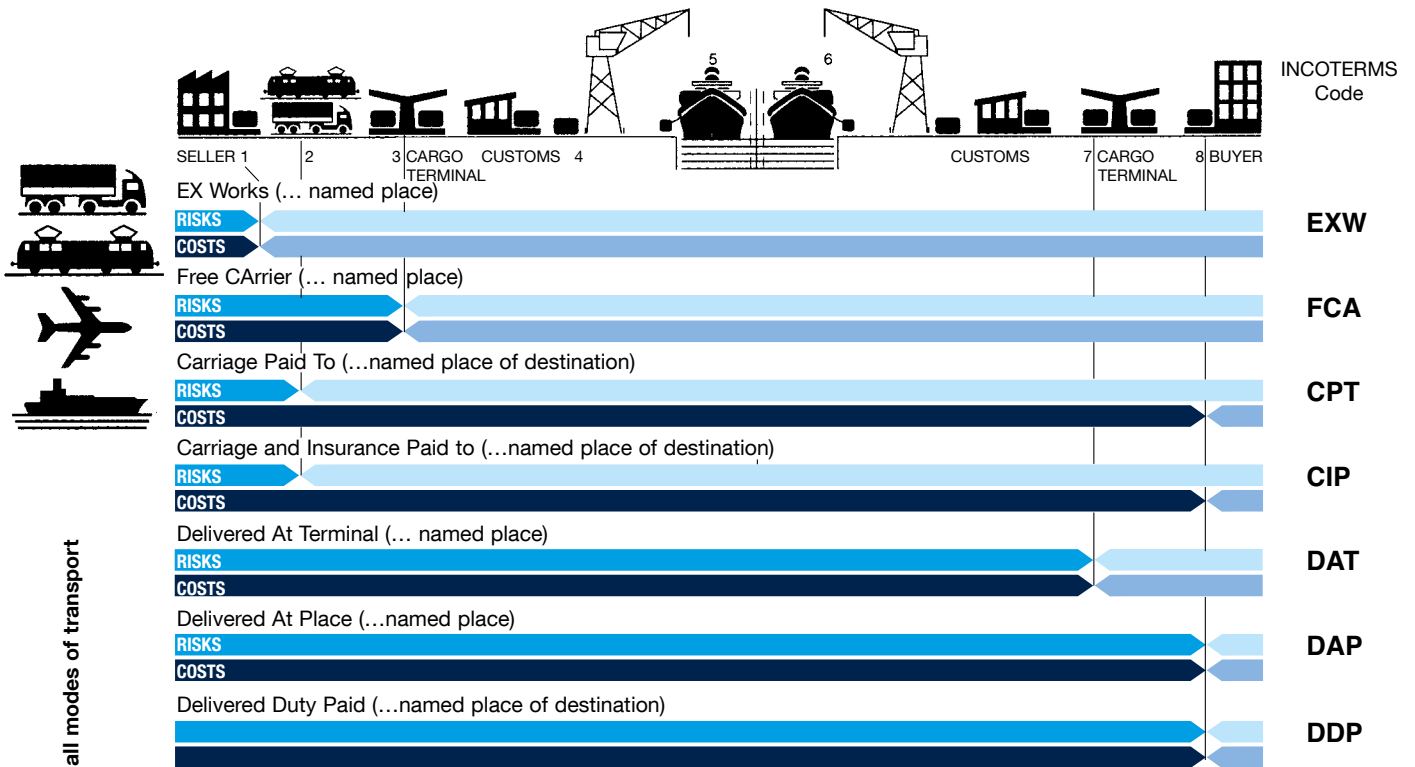


Passing of risks and costs



Risks

The possibility that an event may occur which could cause loss of or damage to the goods is a "risk". Buyers and / or sellers can protect themselves against risks by transport-insurance.



Costs

Covers all costs except costs of documents. Sales and purchase contracts should clearly state which costs on transfer of the goods are for account of buyer and / or seller.

Remark: For detailed explanation reference is made to ICC publication INCOTERMS 2010

INCOTERMS 2010

Incoterms 2010, the latest version of international rules for interpreting standard forms common in foreign trade contracts, entered into force worldwide on January 1, 2011. The 11 clauses in international trade are a guide and define the main responsibilities of buyers and sellers in international sales contracts. The Incoterms are acknowledged in courts worldwide.

The probably most common Incoterms are EXW (EX Works named place), FOB (Free On Board named port of shipment), CIF (Cost, Insurance, Freight named port of destination) and CPT (Carriage Paid To named place of destination).

By referring to Incoterms 2010, the obligations of the seller and buyer will be clearly defined so the risk of legal complications can be minimized.

Incoterms 2010 equates electronic communication with hardcopy communication. Furthermore, Incoterms regulate the obligations of the seller and the buyer in obtaining security-relevant clearances of the merchandise.

Incoterms 2010 includes two new clauses, DAT (Delivered At Terminal at the port or place of destination) and DAP (Delivered At Place of destination). The terms DAF, DES, DEQ and DDU were deleted.

If Incoterms 2010 applies to a transaction you are dealing with, the ICC recommends that the contract partners should expressly stress so.. Below please find examples of the correct practice of Incoterms.

FCA place and address (e.g. 123, Holiday Street, 34 567 Raleigh, North Carolina, USA) Incoterms 2010

FOB port (e.g. Antwerp / Belgium) Incoterms 2010

DAP place, address and business name (e.g. Singapore, Cecil Street. 5, Marks Ltd.) Incoterms 2010

Incoterms 2010 are differentiated into 2 groups:

Group 1 (applicable to any mode of transport)

EXW – Ex Works (named place of delivery). The seller only makes the goods available to the buyer at his own premises.

FCA - Free Carrier (named place of delivery). The seller has to deliver the goods to a carrier which is named by the buyer.

CPT - Carriage Paid To (named place of destination) and CIP – Carriage And Insurance Paid To (named place of destination). The seller has to arrange for the carriage to the named destination without bearing the risks of loss of and/or damage to the goods or additional costs due to events occurring after acceptance the goods.

DAT - Delivered At Terminal (named terminal at port or place of destination) The seller bears all costs and risks to the named "Terminal" **including discharge**.

DAP - Delivered At Place (named place of destination). The seller bears all costs and risks up to the named place, excluding discharge.

DDP - Delivered Duty Paid (named place of destination). The seller bears all costs and risks until the goods' arrival at the named place of destination including all taxes and customs formalities, not unloaded.

Group 2 (applicable only to sea and inland waterway transports)

FAS - Free Alongside Ship (named port of shipment) and FOB - Free On Board (named port of shipment). The seller is obliged to hand over the goods to a carrier named by the buyer.

CFR - Cost And Freight (named port of destination), CIF - Cost, Insurance And Freight (named port of destination). The seller has to arrange for the carriage and to bear the costs up to the port of destination.

FAS - Free Alongside Ship (named port of shipment) The seller bears the costs and risks to free alongside ship at the named port of shipment.

FOB - Free On Board (named port of shipment), CFR - Cost And Freight (named port of destination) and CIF (Cost, Insurance And Freight) (named port of destination). The seller bears the risks for loss and damage only until the loading of the cargo on the ship in the port of departure is completed.

In order to be protected against losses arising from cargo damages or loss of cargo, we recommend purchasing in advance a Transportation-Cargo-Insurance policy at required terms and conditions to cover buyers and/or sellers responsibilities under the contract of sale in accordance with the agreed Incoterms. Only Cargo insurance can adequately protect buyers and sellers interests.

NACORA is a specialist marine insurance broker who can provide you with cargo insurance solutions that are tailored to your needs.

You are very welcome to contact any NACORA office for an individual insurance analysis.

NACORA International Insurance Brokers

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