

Incoterms 2020 – who carries the risk, and where

Upcoming episode

What do FOB, CIF, DAP and DDP actually mean – and where does the risk really pass? A walk through all eleven Incoterms 2020 rules, the split between risk and cost, what changed from 2010, and the most common mistakes in practice.

MAIN TOPICS

- What Incoterms are – and the four things they do not govern
- The two families – any mode, and sea only
- All eleven rules, with where the risk passes
- E, F, C and D – the staircase from least to most seller obligation
- The two critical points – risk and cost are not the same place
- The container mistake – why FOB is almost always the wrong rule
- What changed from 2010 to 2020
- The traps – DDP, EXW and the insurance level in CIF
- How to write the term properly in a contract
- Norwegian-language material to go on to

QUESTIONS THIS EPISODE ANSWERS

- What are Incoterms, and what do they govern?
- What do Incoterms not govern?
- Which eleven rules are in Incoterms 2020?
- Where does the risk pass in each of the rules?
- What is the difference between the E, F, C and D groups?
- Why are risk and cost two different points in the C rules?
- Why is FOB the wrong rule for containers?
- What changed from Incoterms 2010 to 2020?
- Why are DDP and EXW risky to agree to?
- How do you write the delivery term properly in a contract?
- Where can you find Norwegian material on Incoterms?

KEY POINTS

- Incoterms allocate cost, risk and obligations between buyer and seller – not ownership.
- The rules say nothing about payment, transfer of title, breach or governing law.
- Risk and cost do not pass at the same place in the C rules. That is the most common misunderstanding.
- FOB, CFR, CIF and FAS were made for bulk and sea freight, not for containers.
- DPU is the only rule that requires the seller to unload at the destination.

- CIP requires full insurance cover under 2020. CIF still does not.
- DDP puts import clearance in the buyer's country on the seller – often more than the seller can deliver.
- Always write the rule, the place as precisely as possible, and which version applies.

SOURCES AND REFERENCES

- International Chamber of Commerce (ICC) – Incoterms® 2020, in force from 1 January 2020
<https://iccwbo.org/business-solutions/incoterms-rules/>
- Christian J. Lien – Norsk Kommentar til Incoterms® 2010 (in Norwegian)
<https://cjlien.no/>
- Christian J. Lien – Norsk Kommentar til Incoterms® 2020, 312 pages (in Norwegian)
<https://cjlien.no/>

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