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www.gerlach-customs.com/incoterms

Overview of the Incoterms® 2020 rules

This guide is designed to provide a quick overview of the Incoterms® rules frequently used worldwide in international and domestic contracts. The guide illustrates responsibilities between buyers and sellers with regards to costs, risks, duties for cargo insurance and regulatory compliance. “Incoterms” is a registered trademark of the International Chamber of Commerce (ICC).

Read more about Incoterms® rules from the official International Chamber of Commerce website, where you can also order the “Incoterms® 2020” publication. Sign up for online training on the Incoterms® 2020 rules at [icc.academy](https://www.icc.academy).

Incoterms® 2020

The new version of Incoterms® 2020 is primarily adapted to current global trade practices and can therefore meet changing business requirements anywhere in the world. The aim of the revision was to improve the user-friendliness of the clauses, which was achieved by a linguistic revision and explanatory comments. The Incoterms® were revised by 500 experts from more than 40 countries. The clauses are recognized worldwide and are used in more than 30 different languages.

Compared to Incoterms® 2010, the following changes have been made to the content:

- **Bill of lading with an on-board note and the Incoterms® clause FCA.** For goods intended for sea transport, FCA offers a new option. This will allow buyers and sellers to specify that FCA will deliver to a container terminal and that the buyer will instruct his carrier to issue a bill of lading to the seller. This allows the seller to arrange payment from the documentary letter of credit at his bank. Meanwhile, the seller is obliged to hand over the bill of lading to the buyer. This is typically done through participating banks.
 - **Costs and their positioning within the rules and regulations.** The Incoterms® 2020 rules now list all cost elements under A9/B9, so that the user can find a compact, continuous cost statement in a clear overview.
 - **Different coverage levels of insurance cover in CIF and CIP.** As before, clauses CIF (Cost Insurance Freight) and CIP (Carriage Insurance Paid) in the Incoterms® 2020 also stipulate that the seller is obliged to take care of transport insurance at his own expense. In contrast to Incoterms® 2010, the difference is the minimum insurance coverage against certain loss events. The minimum cover to be observed when agreeing the CIF clause remains unchanged for the minimum protection of the (C) clauses of the Institute Cargo Clauses or similar clauses (insurance of named risks). In the otherwise identical CIP clause for all modes of transport, from 2020 the seller has to provide insurance coverage in accordance with the (A) clauses of the
- Cargo Clauses Institutes, which cover not only certain loss events but all risks (all-risks cover). With both clauses, the contracting parties are free to decide on a different insurance coverage.
- **Organization of transport using the seller's or buyer's own means of transport.** The Incoterms® 2010 did not take into account any transportation by the seller or the buyer himself. The Incoterms® 2020 now also contain the option that the transport of the goods can be carried out by using the seller's own means of transport. This applies to the following clauses: FCA, Delivery at Place (DAP), Delivery at Place Unloaded (DPU), and Delivered Duty Paid (DDP).
 - **Amendment of the DAT clause to DPU (Delivered at Place Unloaded).** In Incoterms® 2010, the difference between DAT and DAP was that the seller had delivered the goods as soon as they were unloaded from the means of transport at a „terminal“. However, according to the Incoterms® 2010 application notes, the term „terminal“ was not defined from a technical point of view, but meant any unloading location. For this reason, the previous clause DAT was renamed to DPU (Delivered at Place Unloaded) in the Incoterms® 2020. This underlines the fact that the destination can be any place and does not necessarily have to be a terminal. In this context, the ICC points out that in case of a location outside a terminal, the seller should ensure that the goods can be unloaded there without any damages (in accordance with the seller's obligation).



- **Inclusion of safety-related requirements with transport obligations and costs.** Safety-related requirements for the transport of goods have now been included in rules A 4 and A 7 of each Incoterms® 2020 clause and also highlighted in

cost-related rule A9/B9. Such safety requirements, e.g. mandatory „container scanning“, are becoming more and more important in practice and therefore require a clear classification.

Application of Incoterms® in a contract

In general it is important to note that the Incoterms® apply only between the parties to a (national or international) sales contract and do not deal with any rights or obligations relating to the contractual relationship. They are established in order to avoid disagreements between the contracting parties and represent a uniform system of rules in the trade of goods. In order to avoid ambiguities, it is important to include the Incoterms® combined with the year in the contract. This is the only way to ensure that no problems arise in the interpretation of the rules.

Due to their character, Incoterms® represent general terms and conditions and are by no means to be understood as a legal regulation. In any case, however, it should be clear and unambiguous which rule applies to a contract. Incoterms® only become legally binding if they have been validly agreed between the parties to the purchase contract by means of a corresponding reference (for Incoterms® 2020 also possible before 01.01.2020). Irrespective of this, in individual cases conflicting statutory provisions still take precedence over an Incoterms® clause.

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