

Terms of Sale and How They Work

In commerce, Contracts of Sale are made under internationally recognised and agreed Terms of Sale. These have been defined in detail by the International Chamber of Commerce in booklet No. 460. This sets out the rights and responsibilities of the exporter and importer. Risk responsibility for the goods passes at different stages of transit, according to the Terms of Sale agreed upon.

The following is a general summary of Terms:

Terms	Risk transfers	Insurance covered by
Cost and Freight (CFR)	When goods pass the ship's rail at port of shipment, but the seller prepays freight to destination	Buyer (seller up to the ship's rail)
Cost, Insurance, Freight (CIF)	When goods pass the ship's rail at port of shipment, but the seller prepays freight and insurance to destination	Seller (insurance policy sold to buyer with cost of goods)
Carriage Paid To... (named point of destination) (CPT)	When goods delivered into custody by first carrier who undertakes carriage from place of departure	Buyer (seller until delivered into custody by first carrier)
Delivered at Frontier (DAF)	When goods put at disposal of buyer at named place at frontier	Buyer (seller up to frontier)
Delivered Duty Paid (DDP)	When goods put at disposal of buyer at named place of destination	Seller
Ex Works (EXW)	When goods have been placed at the disposal of the buyer	Buyer from seller's warehouse
Free Alongside Ship (FAS)	When goods have been effectively delivered alongside the ship at the named port of shipment	Buyer (seller up to the ship's side)
Free Carrier (FCA)	When goods have been delivered into the custody of the carrier	Buyer (seller up to the carrier)
Free Into Store (FIS)	When goods accepted duty paid at the buyer's warehouse (not an internationally recognised Term of Sale)	Seller
Free On Board (FOB)	When goods pass the ship's rail at port of shipment	Buyer (seller up to the ship's rail)

(Summary table as at November 2009)

Original source: [Insurance Council of New Zealand Inc](#) - Marine Cargo Open Policy Handbook (published 1998).

For further details, or should you require any training on this topic, please do not hesitate to contact your Vero Marine Underwriter.