



Incoterm pitfalls to look out for

Be wary of these commonly made mistakes.



Using a maritime term when transport is multimodal.

Using terms that are traditionally intended for freight via sea and inland waterway only when all-transport versions are applicable exposes sellers to unnecessary risk. This is because legal terms included in maritime Incoterms are easily disputed with land transport deliveries.



Insufficient description of the port/place of delivery.

Using a city name, or even an airport name as place of delivery refers to a lot of locations within one area. E.g. Hong Kong International Airport Terminal 3 would be specific enough to avoid misinterpretation, but simply saying Hong Kong Airport would not.



Failing to accommodate both parties.

E.g. EXW requires the buyer to complete all export procedures and documentation. If they are unfamiliar with these processes it can be an intolerable task. Using DDP poses a challenge if the seller is unable to undertake all the necessary procedures, like paying GST or VAT, in the buyer's country.



Including inadequate insurance cover with CIP or CIF.

Incoterms 2020 CIP specifies insurance in line with Clause A, which is much more comprehensive than Clause C included in the 2010 version of CIP. Failing to understand which of these terms is in effect, or missing the opportunity to specify additional insurance required with CIF can leave buyers vulnerable to loss.



Failing to specify when title passed from seller to buyer.

Updates to Incoterms 2020 include rephrasing and clarification to avoid disputes regarding ownership. It is however still necessary to define transfer of title of goods separately in the sales contract.



Incorrectly citing Incoterms in a sales contract.

The correct way to write an Incoterm is: Rule – Exact point of transfer – Incoterms of relevance. E.g. EXW at 20 Example Street, Cape Town, South Africa as per Incoterms 2020. Failing to specify the year edition of the Incoterm in use can lead to costly misunderstandings.

Incoterms 2020 Institute of Cargo Clauses

Risk covered in clause:	A	B	C
Fire	✓	✓	✓
Explosion	✓	✓	✓
Vessel sinking	✓	✓	✓
Jettison	✓	✓	✓
Breakage	✓		
Theft	✓		
Washing overboard	✓	✓	
War			
Strikes			

Included with CIP

Included with CIF