

Incoterms 2020 | 7 Key Changes

Updated every 10 years, ICC Incoterms 2020 rules define the responsibilities of buyers and sellers for the delivery of goods under sales contracts. They are the authoritative rules for determining how costs and risks are allocated to the parties.

Incoterms rules are all about the delivery, which is reflective of the key changes in Incoterms® 2020. There are very few court cases on the interpretation of Incoterms rules, rather, the problems that normally arise are due to the wrong use of an Incoterms rule. Buyers and sellers using the right Incoterms rules are often set up well, therefore it's essential for businesses to fully understand the risks and delivery associated with each incoterms rule.

7 Key changes to Incoterms 2020

1. DAT Incoterm changed to DPU
2. Insurance points are clarified in CIF and CIP incoterms rules
3. Costs and cost structures are now clarified
4. Security in relation to transport is now clearly detailed
5. Provisions to allow for own transport rather than assuming 3rd party transport
6. FCA, FOB and Bills of Lading (see Annexure Two)
7. Presentation and design is much more user friendly

The substance of Incoterms 2020 has not changed considerably, but the small subtle changes are absolutely crucial for trade specialists.

1. **DAT Incoterm changed to DPU (Delivery at Place Unloaded)**

Following on from several rounds of consultation, the Drafting Group made the choice of removing the word 'terminal' as it often caused confusion.

DAT required Delivery at Terminal (unloaded), however, following on from feedback to the drafting committee, it was decided to change the term to DPU (Delivery at Place Unloaded), to broadly cover **'any place, whether covered or not'**.

2. **Insurance cover differs between CIF and CIP**

Under CIF / CIP, the seller buys insurance for the buyer. In Incoterms® 2010, insurance is required under clause C, but in Incoterms® 2020, CIP requires insurance complying with Institute Cargo Clause (A) whereas CIF requires insurance under Clause C. Why? Because Clause A covers a more comprehensive higher level of insurance (e.g. for the manufactured goods), whereas a lower level of cover from Clause C would probably apply to the commodities world.

3. **The Listing of Costs**

All costs are now listed in the 'Allocation of Costs' sections for each rule, to avoid confusions. Because the ordering of articles within the Incoterms 2020 rules have also changed, these now appear in the A9/B9 section of each rule.

Costs were a big issue in the 2010 Incoterms®. Carriers often changed their pricing structure to deal with add ons and sellers were often surprised by being back charged terminal handling charges. The A9 sections in the Incoterms rules guide now collect together the costs, with the principle aim of clearly stating the costs to each party.

4. **Security Requirements**

Cargo security has been particularly important since 9/11, and the 2020 rules now address many of the security-related requirements that became so prevalent in the early part of this century.

From a carriage requirements perspective, security related allocations have been added to A4 and A7 of each Incoterms rule, and the necessary costs associated have been added to A9/B9 (see 3).

5. **Own transport**

Incoterms 2010 rules assumed that goods carried from the seller to the buyer were via a 3rd party. Incoterms 2020 allows for own means of transport by the buyer in the FCA rules and by the seller in the D rules.

6. FCA and Bills of lading

According to FCA, part B4, 'The buyer must contract **or arrange** at its own cost for the carriage of the goods'.

There is a gap in delivery between FCA and FOB. If you're selling FCA, your delivery point is different to FOB. The difference between FCA and FOB to the seller is a significant cost and risk. In the 2010 Incoterms rules, exporters of goods in containers were encouraged to use FCA, which seemed best for both parties. However, many people were using FOB when they should've really been using FCA.

Why? Even sophisticated sellers said they wanted to use FOB, because a standard Letter of Credit requires an onboard Bill of Lading to be presented. Therefore the sellers were often taking the risk and using FOB instead, because they wanted to get paid under the LC. The Incoterms® 2020 FCA extra provision now states that if the parties have so agreed, the buyer must instruct the carrier to issue to the seller, at the buyers cost and risk, a transport document stating that the goods have been loaded (such as a Bill of Lading with an on board notation)'.

7. Presentation and design

Incoterms® 2020 rules have much more extensive explanatory notes, with better diagrams, a different structure for users and a reordering of rules to make delivery and risk more obvious. Maritime related rules still haven't changed and remain at the back of the rule book as they still might be used for bulk commodities.

What is 'Effective date' in Incoterms?

Despite an 'effective' date of 01 January 2020, Incoterms 2020 can be used now. That said, after this date, there is still no obligation to use Incoterms 2020.

So what does 'Effective 01 January 2020' actually mean? If you haven't made it clear in your contract which Incoterms version to refer to, or have a flexible contract which states that when the contract is effective, the latest Incoterms® rules apply, then the 2020 rules will apply in these circumstances. That said, it's estimated that the Incoterms 2020 rules might take 1-2 years for the market to adopt.


3 tips on how to use Incoterms correctly:

- Choose the right rule
- Specify the place / port precisely
- Incorporate them into the contract as well as the LC and invoice

Chart of Responsibility

A handy chart of responsibility can be found at Annexure One.

Annexure One | Incoterms 2020 Chart of Responsibility

	Any Transport Mode		Sea/Inland Waterway Transport				Any Transport Mode				
	EXW 	FCA 	FAS 	FOB 	CFR 	CIF 	CPT 	CIP 	DAP 	DPU 	DDP 
	Ex Works	Free Carrier	Free Alongside Ship	Free On Board	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered At Place	Delivered At Place Unloaded	Delivered Duty Paid
Transfer of Risk	when seller places the goods at the buyer's disposal at a named place	1.) when seller loads goods to buyer's carrier or 2.) when goods are at the buyer's disposal & ready for unloading at a named placed	when goods are alongside the vessel nominated by the buyer at named port	when goods are on board the vessel nominated by the buyer at named port	when the goods are on board the vessel nominated by the seller at origin	when the goods are on board the vessel nominated by the seller at origin	when the goods are handed over to the seller's nominated carrier at a named place	when the goods are handed over to the seller's nominated carrier at a named place	when the goods are placed at the buyer's disposal at a named place or agreed point within that place	when the goods are delivered and unloaded at a named place or agreed point within that place	when the goods are placed at the buyer's disposal at a named place or agreed point within that place
Commercial Invoice	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Packaging, Quality Control, Marking	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading & Inland Delivery	Buyer	*Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty & Taxes	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Handling	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	Seller "Free of Particular Average"	Negotiable	Seller "All Risks"	Negotiable	Negotiable	Negotiable
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
*Destination Terminal Handling	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	**Seller	Buyer
Import Duty and Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

Annexure Two | What is a Bill of Lading (BL)?

Bills of Lading are cited frequently in shipping and trade documents; especially when there are cross border transactions or the movement of goods overseas.

A Bill of Lading is often abbreviated to BoL or B/L. It is a list of the cargo which a ship is carrying as a receipt; provided by the master of the ship to the person who is consigning the goods. BLs are issued by a carrier of goods to acknowledge that they are in receipt of cargo for shipment.

What is the criteria for a Bill of Lading?

There is the requirement for a bill of lading to be negotiable, and it is widely seen to have three main purposes:

- a definitive receipt (goods are loaded)
- terms of carriage contract
- document of title to goods

Examples of Bills of Lading

- Provide one copy to Carrier
- Fax/email one copy to NRRRA within 2 days
- Keep original for your files

STRAIGHT BILL OF LADING
 ORIGINAL – NOT NEGOTIABLE

NRRRA Release # 56734
 NRRRA Transaction # NT07325
 Date: 2/21/13

ACME Trucking Company
(Name of Carrier)

TO: Consignee A.A. Paper Mill, Inc.		FROM: Shipper Anytown Transfer Station	
Town/City Concord		Address 123 Street, Anytown, NH 12345	
State & Country NH USA		Signature <i>Joseph Jones</i>	Vehicle #
No. Shipping Units	HM*	Kind of Packaging, Description of Articles, Special Marks and Exceptions	Weight (subject to correction) Rate CHARGES
10		Bales Cardboard	10,000 lbs. est.

*HAZARDOUS MATERIALS MARK WITH "X" TO DESIGNATE HAZARDOUS MATERIALS AS REFERENCED IN 49CFR/172.202
When transporting hazardous materials include the technical or chemical name for n.o.s. (not otherwise specified) or generic description of material with appropriate UN or NA number as defined in US DOT Emergency Communication Standard (HM-126C)

RECEIVED, subject to the classifications and lawfully filed tariffs in effect on the date of the issue of this Bill of Lading, the property described above in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated above which said carrier (the word carrier being understood throughout this contract as meaning any person or corporation in possession of the property under the contract) agrees to carry to its usual place of delivery at said destination if on its route, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed as to each carrier of all or any of said property over all or any portion of said route to destination and as to each party at any time interested in all or any said property, that every service to be performed hereunder shall be subject to all the Bill of Lading terms and conditions in the governing classification on the date of shipment. Shipper hereby certifies that they are familiar with all the Bill of Lading terms and conditions in the governing classification and the said terms and conditions are hereby agreed to by the shipper and accepted for themselves and their assigns. NOTICE: Freight moving under this Bill of Lading is subject to the classifications and lawfully filed tariffs in effect on the date of this Bill of Lading. This notice supersedes and negates any claimed, alleged or asserted oral or written contract, promise, representation or understanding between the parties with respect to this freight, except to the extent of any written contract which establishes lawful contract carriage and is signed by authorized representatives of both parties to the contract.

AGENT: Northeast Resource Recovery Association		CARRIER: ACME Trucking Company
2101 Dover Rd, Epsom, NH 03234		SIGNATURE: Truck Driver to Sign Here
P. (603) 736-4401 F. (603) 736-4402 info@nrra.net		DATE: Pick up Date inserted here

OP-397G 11/11

Straight bill of lading—original—not negotiable

DATE: _____ PRO. NO. _____

B/L NO.: _____ PAGE _____

SHIPPER NO.		TRAILER NO.	
SHIPPER NAME			
ADDRESS			
CITY	STATE	ZIP CODE	
ORIGIN CITY (IF DIFFERENT FROM ABOVE)	STATE	ZIP CODE	
INVOICEE OR COD REMIT TO NAME (IF DIFFERENT FROM SHIPPER)			
ADDRESS			
CITY	STATE	ZIP CODE	
ATTN:			

Place PRO label here.		
CONSIGNEE NAME AND ADDRESS		
DESTINATION CITY	STATE	ZIP CODE
PHONE NO.		
CUSTOMER NO.	STORE NO.	DEPT.
P.O. NO.		
SPECIAL INSTRUCTIONS		

COD FEE		PREPAID <input type="checkbox"/> COLLECT <input type="checkbox"/>	COD AMT \$		CUSTOMER CHECK OK FOR COD AMOUNT? Yes <input type="checkbox"/> No <input type="checkbox"/>			
NO. SHIPNG UNITS	PKG TYPE	HM	DESCRIPTION OF ARTICLES, SPECIAL MARKS AND EXCEPTIONS	NMFC ITEM NO.	CLASS	WEIGHT (LB) SUBJ TO CORR	RATE	CHARGES CARRIER USE ONLY
EMERGENCY CONTACT Phone: _____ Name: _____ Contract #: _____				SHIPMENT CHARGES PREPAID UNLESS MARKED COLLECT: COLLECT <input type="checkbox"/>		TOTAL CHARGES \$		
<p>NOTE (1) Where the rate depends on value, shippers must state specifically in writing the agreed or declared value of the property as follows: The agreed or declared value of the property is hereby specifically stated by the shipper to be not exceeding _____ per _____.</p> <p>Note: (2) Liability limitation for loss or damage on this shipment may be applicable. See 49 U.S.C. §14706 (c)(1)(A) and (B).</p> <p>Received subject to individually determined rates or written contracts that have been agreed on in writing between the carrier and shipper, if applicable, otherwise to rates, classifications and rules that have been established by the carrier and are available to the shipper on request.</p> <p>The property described above is in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned, and delivered, as indicated above which said carrier (for said carrier being understood) throughout this contract as meaning any person or corporation in possession of the property under the contract) agrees to carry its usual place of delivery of said destination, if on its route, otherwise to deliver to another carrier on the route to said destination.</p> <p>I hereby declare that the contents of this consignment are fully and accurately described above by the proper shipping name and are classified, packaged, marked and labeled/placarded and are in all respects in proper condition for transport according to applicable international and national governmental regulations.</p>				<p>Note (3) Products requiring special or additional care or attention in handling or stowing must be so marked and packaged as to ensure safe transportation with ordinary care. See Sec. 2(e) of NMFC Item 300.</p> <p>If this shipment is to be delivered to the consignee without recourse on the consignor, the consignor shall sign the following statement: The carrier may decline to make delivery of this shipment without payment of freight and all other lawful charges. Signatures of consignor: _____</p> <p>It is mutually agreed as to each carrier of all or any of said property over all or any portion of said route to destination and as to each party at any time intended in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions not prohibited by law, whether printed or written, herein contained, including the conditions on the back hereof, which are hereby agreed to by the shipper and accepted by himself and his assigns.</p>				
SHIPPER COMPANY NAME		CARRIER	Trailer #	DATE	Trailer Loaded by: <input type="checkbox"/> Shipper <input type="checkbox"/> Driver Freight Counted by: <input type="checkbox"/> Driver: pallets said to contain <input type="checkbox"/> Shipper <input type="checkbox"/> Driver: pallets containing <input type="checkbox"/> Driver: loose pieces			
SHIPPER SIGNATURE		PER	NRG RECEIVED					

MARK "X" IN HM COLUMN FOR HAZARDOUS MATERIALS.

SINGLE SHIPMENT PICKUP ☐
Printed in U.S.A.

Print two copies of this page: One for your driver, one for your files.

Date: _____		BILL OF LADING		Page 1 of _____	
SHIP FROM			Bill of Lading Number: _____ <div style="border: 1px solid #ccc; height: 40px; margin: 5px 0;">BAR CODE SPACE</div>		
Name: _____ Address: _____ City/State/Zip: _____ SID#: _____					
FOB: <input type="checkbox"/>					
SHIP TO					
Name: _____ Location #: _____ Address: _____ City/State/Zip: _____ CID#: _____			CARRIER NAME: _____ Trailer number: _____ Seal number(s): _____ SCAC: _____ Pro number: _____		
FOB: <input type="checkbox"/>			<div style="border: 1px solid #ccc; height: 40px; margin: 5px 0;">BAR CODE SPACE</div>		
THIRD PARTY FREIGHT CHARGES BILL TO:					
Name: _____ Address: _____ City/State/Zip: _____					
SPECIAL INSTRUCTIONS:					
Freight Charge Terms: (freight charges are prepaid unless marked otherwise) Prepaid _____ Collect _____ 3 rd Party _____			<input type="checkbox"/> Master Bill of Lading: with attached underlying Bills of Lading		
CUSTOMER ORDER INFORMATION					
CUSTOMER ORDER NUMBER	# PKGS	WEIGHT	PALLET/SLIP (CIRCLE ONE)		ADDITIONAL SHIPPER INFO
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
GRAND TOTAL					
CARRIER INFORMATION					
HANDLING UNIT		PACKAGE		WEIGHT	H.M. (X)
QTY	TYPE	QTY	TYPE		
COMMODITY DESCRIPTION				LTL ONLY	
Commodities requiring special or additional care or attention in handling or stowing must be so marked and packaged as to ensure safe transportation with ordinary care. See Section 210j of NMFC Item 380.				NMFC #	CLASS
GRAND TOTAL					
When the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property as follows: "The agreed or declared value of the property is specifically stated by the shipper to be not exceeding _____ per _____."				COD Amount: \$ _____ Fee Terms: Collect: <input type="checkbox"/> Prepaid: <input type="checkbox"/> Customer check acceptable: <input type="checkbox"/>	
NOTE: Liability Limitation for loss or damage in this shipment may be applicable. See 49 U.S.C. • 14706(c)(1)(A) and (B).					
RECEIVED, subject to individually determined rates or contracts that have been agreed upon in writing between the carrier and shipper, if applicable, otherwise to the rates, classifications and rules that have been established by the carrier and are available to the shipper, on request, and to all applicable state and federal regulations.				The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges.	
SHIPPER SIGNATURE / DATE				SHIPPER SIGNATURE	
This is to certify that the above named materials are properly classified, packaged, marked and labeled, and are in proper condition for transportation according to the applicable regulations of the DOT.				Carrier acknowledges receipt of packages and required placards. Carrier certifies emergency response information was made available and/or carrier has the DOT emergency response guidebook or equivalent documentation in the vehicle. Property described above is received in good order, except as noted.	
Trailer Loaded: <input type="checkbox"/> By Shipper <input type="checkbox"/> By Driver				Freight Counted: <input type="checkbox"/> By Shipper <input type="checkbox"/> By Driver/pallets said to contain <input type="checkbox"/> By Driver/Pieces	

Bills of lading are used to make sure that exporters are paid and importers receive goods. We will also usually see a policy of insurance and invoice for the goods. It is important to note that a bill of lading is negotiable, but a policy and invoice are assignable.

Bills of Lading Frequently Asked Questions

1. How are BLs transferred?

A bill of lading is transferable by endorsement or by the lawful transfer of possession. A carrier must issue a bill of lading to the shipper which sets out the specification, quantity, nature and quality.

2. What is a BL used for?

It is a contract with conditions attached which is signed by the owner of the ship when the product is loaded. There is an acknowledgement of the receipt of products, with the undertaking to deliver goods at the end of the shipment.

3. What do you track and prove of a Bill of Lading?

Bills of lading come into use when goods are moving and a transfer of title happens. Therefore they are used as a receipt; which is issued by the carrier when the product has been loaded onto a vessel. We constantly see BLs mentioned when looking at proof of shipments; especially in relation to customs and insurance. It is also used as commercial proof to show agreements have been fulfilled.

A bill of lading is used as a carrier's receipt in relation to the product that is being carried.

4. What are the different types of BL?

There are two types of bill of lading:

- (1) **On board bill of lading:** this is when there is no discrepancy in what the description of the shipper sets out and the product that is actually on the vessel.
- (2) **A clean bill of lading:** shows that goods have been loaded on board. However, if the carrier realises that the bill of lading is different from goods on board then evidence can be cited on the clean bill of lading.

Note that once the bill of lading is transferred to a third party, there is no possible way to mark a discrepancy.

A claused bill of lading: is when one can see a difference between the description in the bill of lading and the product that is presented. Therefore it will only be marked where the product was loaded in this type of bill.

A bill of lading is used as goods are transferred between the carrier and the shipper; so they are used to show that a contract of carriage has been effected and upon receiving the goods they will usually undertake to deliver them.

There is also the Switch Bill of Lading – read our article here which describes what a switch BL is.

5. Does this class as a document of title?

A bill of lading is usually classed as a document of title when the purchaser of goods is receiving product from the carrier.

We usually see bills of lading classed in two areas; being a straight BL and a to order BL. A straight BL is issued in favour of a specific named consignee; which is importantly not negotiable.

Conversely, an order BL is where there is no specific consignee; which is outlined on the document. Thus, this type of BL can be transferred or negotiated to be in favour of another party.

6. Why are there three (3) Bills of lading issued?

It is not always the case that three bills of lading are issued; the number used is stated on the bill. The traditional number is three; as one will be taken by the shipper, the consignee and the other is usually taken by the lender or another party. However, it is preferred to have less BLs; as the increased number creates a higher chance of releasing goods to the wrong party and fraud.