Carriage and Insurance Paid To (Place): Overview (CIP)

Under the Incoterms® 2020 rules, Carriage and Insurance Paid To(CIP), indicates that risk passes to the buyer when the seller delivers the goods to the first carrier or to a different person specified by the seller at a designated place of shipping. The expense of transportation and insurance for delivering the products, at the very least, to the specified location, is the seller's responsibility.

CIP is one of just two Incoterms® regulations (the other being CIF—Cost, Insurance and Freight) that indicates which party must purchase insurance is CIP.

The amount of insurance required under CIP has increased with the publication of the Incoterms® 2020 rules to at least 110% of the value of the goods as specified in Clause A of the Institute Cargo Clauses rather than the lower level provided under Clause C, which was required for CIP in the 2010 rules and is still required for CIF. This is because CIP is often used for manufactured items with a higher value than the commodities that are more frequently delivered under CIF. The insurance underwriter must be able to establish a permanent residence there.

Using CIP Incoterm®

The seller is responsible for arranging international shipping and purchasing insurance under all C-group terms, including CPT. The designated location where liability is transferred is always on the side of the buyer.

What distinguishes CPT and CIP from one another? When a seller arranges transportation, a portion of the risk that the buyer assumes is considered by CIP. In accordance with CIP, the seller is required to insure the goods in the buyer's favour to protect the latter from risk.

CIP can be applied to any transport mode or situations when there are several transport modes. The seller is in charge of organising transportation to the specified location as well as insurance for the items.

Similarity Between CIP and CPT

The only significant difference between CIP and CPT is that the seller is responsible for transportation and insurance up until the designated port. CIP can be used to move goods via multiple transit modes, or multi-modal shipping. When the buyer receives the goods at the first port under CIP, the title is transferred.

Carriage and Insurance Paid To: Seller's Responsibilities

The seller manages much more than just making sure the cargo is loaded onto a container ship. Their complete obligations consist of the following:

1) Costs: The seller has responsibilities till the named place of destination, and will bear costs such as:

- Warehouse charges.
- Inland transit charges for transporting goods from the warehouse to the first port.
- Payment of depot charges.
- Payment of freight forwarder charges
- Freight forwarder's charges
- Charges for air freight (if transported by air)
- Charges for marine insurance (when goods are moved through ocean)
- Charges for ocean freight and insurance premium

2) Custom clearance and payment of duties: Customs clearance is a part of CIP, and the seller is responsible for paying all applicable export customs and duty fees. The seller will take care of the freight forwarding process and pay the settlement fees; he is also responsible for assembling and filing all necessary paperwork for customs clearance.

3) Insurance: In a CIP transaction, the goods' insurance is paid for by the seller. The shipping requirements must be followed, and the seller is responsible for paying any registration and security permit fees. The seller must get goods coverage because he bears the risk of the items until they arrive at the designated port. After the products arrive at the designated port, the seller is not responsible for insuring them. The importer shall deliver all the required paperwork so that the buyer can follow the import regulations.

Carriage and Insurance Paid To: Buyer's Responsibilities

Under the CIP Incoterm®, the buyer is accountable for the following:

1) Costs: The buyer's obligations under CIP trade terms are restricted to the fees and terms stated in the contract. The buyer will be allowed to proceed with the deal immediately following the port of delivery because the place of delivery is crucial in a CIP transaction.

It may be the first port, when fees are charged from the moment the shipment is transported to the port of the importer country, or it may be the second port, where fees for import procedures and inland transit are incurred.

2) Freight terms: When the second port is the agreed-upon location for delivery, the buyer is responsible for both the unloading of the shipment at the designated port and the freight for the inland delivery of the shipment from the port to his warehouse. The buyer is responsible for paying the freight duty to transport the goods to the port in the importer country if the designated location is the first port.

3) Customs clearance and payment of duties: The buyer is responsible for ensuring that he obtains all the paperwork from the seller required for importation under the CIP Incoterm®. The buyer will be responsible for covering costs like import taxes and tariffs since he assumes control immediately after the destination port.

4) Insurance: In CIP, the buyer is under no duty in terms of insurance (referring to risk and damage of goods). The seller is responsible for paying the insurance coverage fees. According to the terms set forth by the parties, however, the buyer may choose to pay for additional coverage provided by the seller, i.e., insurance from the stated port to the buyer's warehouse.

When to Use Carriage and Insurance Paid To Incoterm®

CIP can be utilised in multi-mode transport because it is not limited to a certain freight method. The carrier issues a bill of lading to the seller, serving as proof that the goods have been taken by the carrier and the freight has been paid by the seller. This works particularly effectively for shipments covered by a letter of credit. For produced goods with a higher value, CIP works best.