CIF — Cost, Insurance and Freight

Important

This is a shortened version of our full lecture. It covers the essentials — but Incoterms are more complex than most people realise.

Every transaction is different. Use this as your starting point, check the rules for your specific shipment, and seek professional advice where needed.

Our full course at sadi4u.co.za gives you more information — for your protection and peace of mind.

Welcome back.

Today we look at CIF — Cost, Insurance and Freight.

CIF applies to sea and inland waterway transport only.

What CIF Means

Under CIF, the seller is responsible for three things:

- The Cost of the goods
- The Insurance — against the buyer's risk of loss or damage during the sea voyage
- The Freight — to the named port of destination

In short, the seller manages the entire sea voyage and insures it on the buyer's behalf.

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The Risk Transfer Point

This is the part people get wrong.

Risk transfers from the seller to the buyer the moment the goods are on board the vessel at the port of loading.

This is identical to FOB and CFR.

The fact that the seller pays for insurance does not change where risk transfers. The insurance is a benefit arranged by the seller for the buyer.

If the goods are lost or damaged during the sea voyage, the buyer makes the claim against the policy.

CIF and Containerised Cargo

CIF works best for bulk and break-bulk cargo, where the seller can supervise loading onto the vessel.

For containerised cargo, the seller hands the container to the terminal and the terminal loads it later. The seller has no control over that loading operation — yet under CIF, the seller bears risk until the goods are on board.

Under Incoterms 2020, the ICC recommends FCA or CIP for containerised cargo through ports. CIF remains valid, but the parties should understand this risk gap.

This is covered in more detail in our CIP lecture and in the Insurance lecture.

Seller's Responsibilities

Under CIF, the seller:

- Books the vessel and pays the ocean freight to the destination port
- Packages and prepares the goods
- Submits the Terminal Handling Order and pays the terminal handling charges at the port of loading
- Clears customs for export
- Delivers the goods on board the vessel
- Provides the Shipping Instruction to the carrier
- Obtains and pays for marine insurance covering the buyer's risk — minimum Institute Cargo Clauses (C), covering 110% of the value
- Forwards the Bill of Lading to the bank or buyer, depending on the terms of sale

Buyer's Responsibilities

Under CIF, the buyer:

- Bears all risk from the moment the goods are on board at the loading port
- Handles import customs clearance, duties, and taxes
- Pays for unloading and terminal handling at the destination port
- Arranges the Delivery Order to collect the goods from the carrier
- Arranges and pays for onward transport from the destination port

Important: The carrier will only release the goods to the party holding the original Bill of Lading.

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What the Insurance Covers

CIF insurance covers the buyer during the sea voyage — from loading on board at the port of loading to arrival at the port of destination.

It does not cover:

- The seller's risk before loading
- Unloading at the destination
- Onward transport

The buyer should consider additional coverage from that point. This is covered in more detail in our Insurance lecture.

Always Name the Port of Destination

If your contract just says "CIF" without naming the destination port, you invite confusion and disputes.

For example: CIF Hamburg clearly identifies Hamburg as the port of destination.

Always name the port. Always state Incoterms® 2020.

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In Summary

- Under CIF, the seller pays the cost, the freight, and provides minimum insurance
- Risk transfers to the buyer when the goods are on board at the port of loading
- CIF insurance covers the sea voyage only — buyer arranges additional cover as needed
- Always name the port of destination clearly in the contract

The Default and the Contract.

Unloading and loading

The Incoterm sets the default. But the contract can adjust it — for example, if the buyer has no equipment to unload, the contract can say the seller will do it. But the insurance must match. We explain this in more detail in the full course.

Keep the Incoterm itself unchanged; specify any adjustments separately in the contract. e.g. EXW loaded is not acceptable. The only one that can be extended is DDP – DDP Unloaded

The Upsell

This is the basic version of our CIF lecture.

Download a free PDF version from our website at www.sadi4u.co.za

The full course includes:

- The Terminal Handling Order and Terminal Handling Charges
- The Bill of Lading and Shipping Instruction in practice
- The Herman and Rina discussion
- The Letter of Credit and Insurance lectures
- Logistics and much more. Refer to our website for more information
- Your certificate of completion

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