

CIF Price – Cost, Insurance & Freight Incoterm

It is important to have an understanding of Cost, Insurance and Freight (CIF) when shipping internationally. CIF is an Incoterm where the seller would need to pay for the freight insurance and delivery costs to bring the goods to the end port. The risk however, is transferred to the buyer as soon as the goods are put onto the ship.

CIF Price – What is Cost, Insurance and Freight?

CIF stands for Cost, Insurance and Freight – it's a legal incoterm term which is used in international shipping for the delivery of goods to a port. In this case, the seller must pay for the delivery of goods, and their export, including insurance, and has responsibility of the goods right up until they're loaded on the ship.

CIF and FOB (Free on Board) are the most common shipping terms.

Cost, Freight, Insurance

The term CIF means that the seller has more responsibility; they will pay for and arrange transportation, freight duties and insurance. This can be contrasted with a seller under an FOB shipping transaction; where the seller is merely responsible for delivery of the goods to the port of origin; they will then be transported.

Watch out for importers and tips for CIF:

- Your supplier has control of the insurance coverage – this means that the seller is likely to choose the cheapest / most basic insurance option for your product
- Watch out for the beneficiary of the insurance policy – in the case of damages, if the seller is the beneficiary if your goods get damaged in transit, payment will go to them to then be reimbursed to you as the importer
- CIF stops after the goods arrive at the port – if goods are damaged at the port or when unloaded, as well as any additional port or storage fees are incurred, this will be your responsibility
- CIF could be more expensive – given that the seller invoices CIF, the costs might be inflated above the actual cost of insuring your goods

Incoterms – What are they?

Incoterms were created by the International Chamber of Commerce (ICC), a set of international trade guidelines recognized around the world. Incoterms are a universal language between buyers, sellers and shipping companies, and there are around 13 incoterms in international trade.