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Carriage and Insurance Paid To (CIP)

By [WILL KENTON](#) | Reviewed by [DAVID KINDNESS](#) | Updated Jul 14, 2020

What Is Carriage and Insurance Paid To (CIP)?

Carriage and Insurance Paid To (CIP) is when a seller pays [freight and insurance](#) to deliver goods to a seller-appointed party at an agreed-upon location. The risk of damage or loss to the goods being transported transfers from the seller to the buyer as soon as the goods are delivered to the carrier or appointed person. It is comparable, but different to Cost, Insurance, and Freight ([CIF](#)).

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Under CIP, the seller is obligated to ship the goods to the buyer's designated port or location. The seller is also responsible for paying all shipping costs and insurance premiums up to the point of delivery.

The buyer is responsible for any additional costs or insurance premiums beyond the agreed-upon amount. If the buyer desires additional insurance coverage, they must pay for it themselves.

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Carriage and Insurance Paid To (CIP) is one of 11 [Incoterms](#), a series of globally accepted commercial trade terms most recently published in 2010 by the [International Chamber of Commerce](#).

KEY TAKEAWAYS

- Carriage and Insurance Paid To is when a seller pays freight and insurance to deliver goods to a seller-appointed party at an agreed-upon location.
- Under CIP, the seller is obligated to insure goods in transit for 110% of the contract value.
- CIP is one of 11 Incoterms, a series of globally accepted commercial trade terms.

How Carriage and Insurance Paid To (CIP) Works

Carriage and Insurance Paid To (CIP) is typically used in conjunction with a destination. So, for example, CIP New York means the seller pays freight and insurance charges to New York. As is the case with "Carriage Paid To" (CPT), carriage or freight charges with CIP refer to transportation charges for any accepted mode of transport, such as road, rail, sea, inland waterway, air, or multimodal transport that involves a combination thereof.

For further context, consider this theoretical scenario: LG in South Korea wants to ship a container of tablet computers to Best Buy in the United States. Under CIP, LG is responsible for all freight costs and minimum insurance coverage to deliver the tablet computers to the carrier or appointed person for Best Buy at an agreed-upon destination. Once the shipment is delivered to the carrier or appointed person for Best Buy, LG's (the seller) obligation is complete, and Best Buy (the buyer) assumes full risk and responsibility for the shipment.

Important: Carriage and Insurance Paid To (CIP) is used when a seller pays freight and insurance to deliver goods to a seller-appointed party at an agreed-upon location.

Additional Coverage Under CIP

Since the seller is only obligated to purchase the minimum amount of insurance coverage to transport the shipment to the destination, the buyer should consider arranging additional coverage that protects the shipment from all risks. Otherwise, the buyer may have to bear huge losses if the shipment is damaged or lost through some adverse event that is not covered by the minimal insurance coverage provided by the seller.

The buyer may also ask the seller to provide extra insurance coverage and—depending on the relative bargaining positions of the buyer and seller—can negotiate for the seller to bear part or all of the cost of such additional insurance.

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Related Terms

A Definition and Explanation of Free On Board (FOB)

Free On Board (FOB) is a trade term indicating the point at which a buyer or seller becomes liable for goods being transported on a vessel. [more](#)

What Is Carriage Paid To (CPT)?

CPT or Carriage Paid To is an international trade term denoting that the seller incurs the risks and costs associated with delivering goods to a carrier. [more](#)

Cost and Freight (CFR) Definition

Cost and freight (CFR) obligates a seller to arrange sea transportation and provide the buyer the needed documents to retrieve the goods upon arrival. [more](#)

Making Sure You Get the Goods: Delivered Duty Unpaid (DDU)

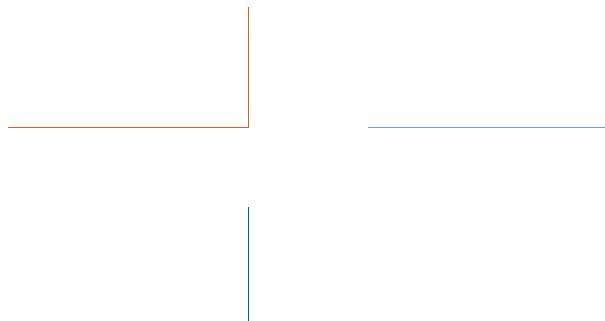
DDU shipping is a term that indicates a seller is responsible for the safe delivery of goods, responsible for all transportation costs and risks. [more](#)

Ex Works (EXW) Shipping: When the Buyer Covers Transportation Costs

Ex works (EXW) is a shipping arrangement in international trade where a seller makes goods available to a buyer, who then pays for transport costs. [more](#)

The Seller Pays Cost, Insurance, and Freight (CIF) to Protect Shipments

Cost, insurance, and freight (CIF) is a method of exporting goods where the seller pays expenses until the product is completely loaded onboard ship. [more](#)



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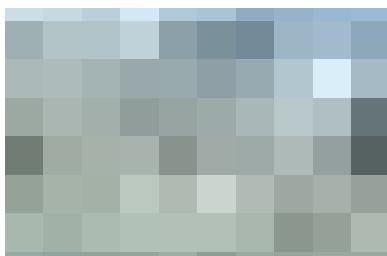
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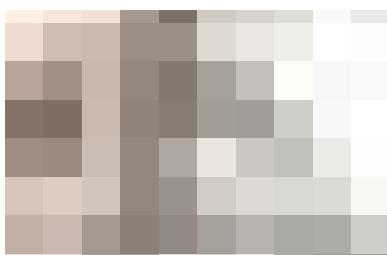
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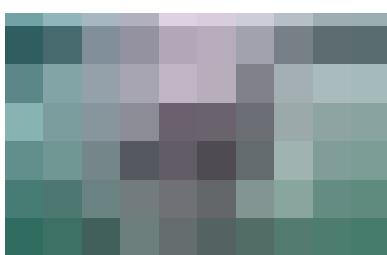
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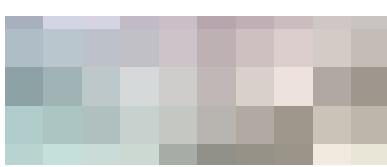
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