



THE SPANISH SUPREME COURT FIXES CRITERIA FOR BUSINESS INTERRUPTION CLAIMS DUE TO COVID

The Spanish Supreme Court has definitively established the criteria for business interruption (BI) claims related to Covid-19 lockdowns. In a series of recent judgments, the Court has ruled in favour of insurers, confirming that such claims are not covered under standard property insurance policies. This marks a significant development in the legal landscape, providing clarity and consistency in the handling of these claims.

1. Background of Spanish Rulings

Since the initial ruling by the Court of Appeal of Girona on 3 February 2021, the Spanish courts have been dealing with the issue of BI claims due to Covid under standard Property insurance policies. The Girona judgment initially set a precedent by upholding a claim based on formalistic criteria, distinguishing between limiting and delimiting clauses in insurance policies. However, subsequent rulings, particularly from the Court of Appeal of Murcia and Madrid, have leaned towards a more restrictive interpretation, in favour of insurers and rejecting coverage for Covid-related business interruption claims.

2. The Three Supreme Court Rulings dated 21st April 2025

Three Supreme Court rulings were issued the 21st April 2025, all three providing the same criteria on BI claims related to Covid-19 lockdowns, deciding as follows:

- a) **Judgment 602/2025 (originally from Avilés):** The Supreme Court confirmed that the policy issued only covered interruptions resulting from direct physical damage to the insured property, excluding closures due to government-imposed lockdowns.
- b) **Judgment 603/2025 (originally from Girona):** The Court upheld the decision that the insurance policy did not cover Covid-related business interruptions, emphasizing that

the policy's terms clearly defined covered risks, which did not include pandemics. The Court classified the clauses as delimiting, not limiting, thus not requiring special acceptance under Article 3 of the Spanish Insurance Contract Act.

- c) **Judgment 604/2025 (originally from Leon)**: The Supreme Court ruled that the multi-risk insurance policy did not cover business interruption due to Covid, as the policy was limited to specific risks such as fire and water damage, excluding pandemics.

3. Binding Effect of Supreme Court Rulings

According to Article 1.6 of the Spanish Civil Code, reiterate Supreme Court rulings on one specific legal issue have a binding effect, serving as a precedent for lower courts. This means that the criteria established by the Supreme Court in these judgments will guide future decisions on similar cases, ensuring uniformity and predictability in the application of the law across Spain.

Comments

The three rulings of the Spanish Supreme Court have collectively established a clear precedent regarding business interruption claims due to Covid-19.

These judgments have consistently ruled in favour of insurers, determining that standard property insurance policies do not cover business interruption resulting from pandemic-related lockdowns. The Court has clarified that the clauses in question are delimiting rather than limiting the rights of insureds, meaning they do not require special acceptance under Article 3 of the Spanish Insurance Contract Act. This unified stance by the Supreme Court provides a definitive legal framework for similar claims, ensuring consistency and legal certainty across future cases. However, the resolution of each case will still depend on the specific wording of the insurance policy and must be assessed on a case-by-case basis, taking into account the unique circumstances and terms involved.

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