In an important judgment for insurers who provide coverage in the EU, the Grand Chamber of the Court of Justice of the European Union has held that it is not contrary to EU law for liability insurance policies to have geographical limits, such as the territory of an EU member state.

The context was a breast implant patient, resident in Germany, suing the French manufacturer of the implant in Germany for failure to test properly, and seeking to bring a direct action against the manufacturer’s French liability insurer. The insurance policy was limited to liabilities arising in France, but the claimant argued that this limit contravened EU rules which prohibit discrimination on the grounds of nationality.

The CJEU held that, on the particular facts of the case, EU law did not apply and therefore the policy’s geographical limits were not unlawful as a matter of EU law.

However, the court’s decision was premised on the facts that (1) the insurance (taken out by the manufacturer) was not compulsory under EU law and (2) the claimant received the implant in her home member state and there was no exercise by her of EU principles of free movement. On different facts, the CJEU could have reached a different conclusion.

The judgment is available here.