

# Nutraceuticals are on the rise and so is the risk

With nearly two-thirds of Americans taking some type of nutraceutical healthcare product, the US nutraceutical market is expected to reach \$578.23 billion by 2025.<sup>1</sup>

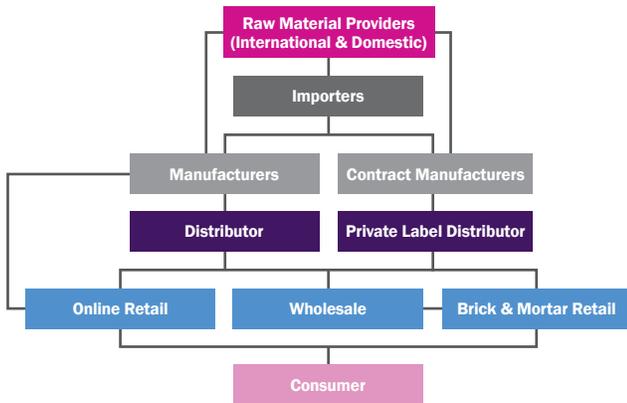
When Beazley introduced its NutraGuard product in 2015, much of the nutritional supplements sold were to promote good health, such as vitamin supplements and probiotics, or to enhance sports performance through protein powder and bars. As the nutraceutical market expands, complimentary products have been increasing, such as skincare products for beautification, as well as foods and beverages, such as kombucha. With the passing of the Farm Bill in 2018, cannabinoids (CBD) are valued to grow more than \$15 billion by 2025,<sup>2</sup> with much of the demand in foods, beverages, dietary supplements, and topical skincare products. Currently the Food and Drug Administration prohibits CBD in food and dietary supplements because such compounds are active ingredients in approved drugs. Until this law changes, the large growth projected for CBD may shift, focusing on topical products only. Beazley's deep understanding in product legality, regulation and market nuances is vital when navigating litigation risks posed by marketing and selling of nutraceutical products.

Within an industry of continued growth, having proper coverages for your operations is paramount. A single product may be exposed to several manufacturing processes, and every entity along the supply chain is vulnerable to risks. Many of the raw materials used in nutraceuticals are obtainable only outside the US, increasing the risk of contamination if proper quality controls are not followed. On occasion, contamination exposures are realized once products are consumed. Recall expense coverage is available with NutraGuard in order to remove this product from commerce. In addition to products liability, Errors and Omissions coverage is appropriate for contract manufacturers as these entities are not only exposed to risks in manufacturing the finished product but also by designing and formulating the product for others.

<sup>1</sup> December 2017, *Grand View Research, Inc.* report <https://www.grandviewresearch.com/press-release/global-nutraceuticals-market>

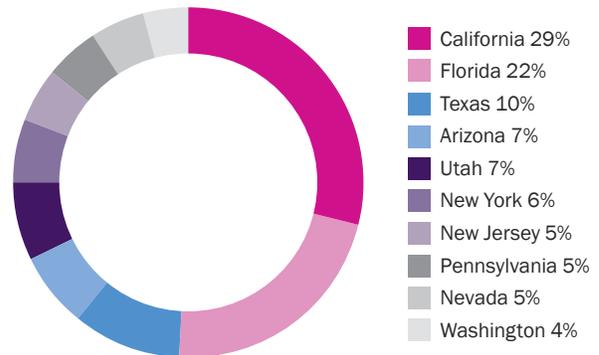
<sup>2</sup> February 25, 2019, *Bloomberg* <https://www.bloomberg.com/news/articles/2019-02-25/much-hyped-u-s-cbd-market-may-reach-16b-by-2025-cowen-says>

## The nutraceutical insured distribution channel



With its reputation of health and fitness, California, the largest economy in the US, also produces the largest percentage of nutraceutical risks insured by Beazley. Of the total policies written in the US, 29% are domiciled within California followed by Florida (22%) and Texas (10%). Firms in this industry are exposed to California state laws, whether domiciled in the state or not. For example, if products do not display adequate warnings for cancer-causing chemicals, companies could face fines and penalties. What we have seen at Beazley is a rise in both the number of fines and the amount levied. In California in particular, we have seen a surge in violations for California’s Safe Drinking Water and Toxic Enforcement Act (Proposition 65) triggered by enterprising law firms seeking whistle-blower pay outs. Beazley’s RegProtect endorsement offers coverage for both state and federal regulatory violations of Proposition 65, California Air Resources Board, California’s Rigid Plastic Packaging Container (RPPC) Act, “Made in USA” labeling requirement, and the Federal Food and Drug Administration’s rule on “non-functional slack-fill.” Currently this is unmatched in the marketplace making Beazley a leader in regulatory coverage for the nutraceutical industry.

## Top 10 states NutraGuard is sold by policy count



While the dangers of this class of risk are many, there are many ways to make coverage work. Drawing on extensive experience, Beazley is proactive in monitoring regulation changes and offering coverages unmatched in the market. To find out more about Beazley’s nutraceutical insurance solutions visit our webpages: [NutraGuard](#).

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