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ACQUIS IMPLICATIONS ON THE COMPANIES AND INSURANCE INSTITUTIONS FROM THE CENTRAL AND EASTERN EUROPEAN COUNTRIES

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Abstract:

The European integration process becomes more and more a reality for the Central and Eastern European countries. Thus, on the 1st of May 2004, ten other States became members of the EU, eight of them being from the Central and Eastern Europe. At 1 January 2007, now we know certainly, the European gates will be wide-open for Bulgaria and Romania, the number of country members being 27. A huge economic and social potential is created, due to the increasing number of State members (counting from 15 to 27), and implicitly, to the extension of the European Union territory (a growth of 30% is registered); due to the population growth rate of 30%, reaching a total amount of 478 million inhabitants, the equivalent of the same number of consumers within the economic sphere; due to the increasing rate of GDP of about 4.5% etc. There are multiple advantages generated by the integration process for the autochthonous economic environment, the most visible ones being: the easy access on an extended market; a greater transparency of business activities; a high rate of direct foreign investments; a great stability at the macroeconomic level; long term development etc.

Despite the numerous advantages that the integration process implies, the expansion process of the European Union may determine a growth of the total cost generated by the risks to which local corporations from the Central and Eastern Europe (CEE) are submitted.

*Abiding by new governmental decrees introduced to obtain the matching of the national legislation to the *acquis communautaire*, represents a difficult and expensive process, but the costs resulting from the non-compliance may be more important.*

Thus, if business corporations from CEE intend to secure against the risk of non-compliance to the European legislation and to reduce the impact resulting from previous legislative changes, it is essential to understand and to consider certain risk areas made evident and carefully exploited by insurance companies; the present paper aims to point out this idea.

*Among the risk areas which take into account the implementation and the abiding by the *acquis communautaire*, analyzed from the point of view of corporations from the Central and East European countries (including Romania and Bulgaria), as well as from the perspective of local or multinational insurance companies, there are: product liability and consumer protection; human resources (employee) protection; managers and administrators liability, and environment protection.*

Key words: *European Directives, European integration, risk management, *acquis communautaire*, operational risks, financial risks, hazards, strategically risks.*

I. The new coordinates of the risk in insurance

The enlargement of the European Union (EU) transformed the European arena. On 1 May 2004, ten new member states (eight of them from Central and Eastern Europe – CEE) joined the EU namely, Estonia, Latvia, Lithuania, Hungary, Poland, Czech Republic, Slovenia, Slovakia, Cyprus and Malta. This ten new Member States increase the Union's population by a further 75 million citizens. They represent a diversity of cultures and histories, of experiences and skills.

But the EU will continue enlarging after this current wave. The enlargement will produce major economic, political and social impacts. All parts involved have worked hardly to prepare for accession. Therefore, Bulgaria and Romania could join the EU in 2007 if they fulfill all the membership criteria. This next wave of enlargement means another 30.2 millions of citizens.

Thus, a huge economic and social potential is created, due to the increasing number of State members (counting from 15 to 27), and implicitly, to the extension of the Union territory (a growth of 30% is registered); due to the population growth rate of 30%, reaching a total amount of 478 million inhabitants, the equivalent of the same number of consumers within the economic field; due to the increasing rate of GDP of about 4.5% etc.¹ There are multiple advantages generated by the integration process for the autochthonous economic environment, the most visible ones being the following:

- ↗ the easier access on an extended market;
- ↗ a greater transparency of business activities;
- ↗ a high rate of foreign direct investments (FDI);
- ↗ a great stability at the macroeconomic level;
- ↗ faster long-term growth etc.

In spite the numerous advantages that the integration process implies, the expansion process of the European Union may determine a growth of the total cost generated by the risks to which local corporations from the CEE are submitted.

In the category of this costs can be included:

- ↗ the investments to comply with EU regulations;
- ↗ the high costs in the areas of: environment; health and safety at work; consumer protection/product liabilities etc.;
- ↗ the direct financial costs of non-compliance etc.

The new laws introduced in order to obtain the matching of the national legislation with the *acquis communautaire* represent a difficult and expensive process, but the costs of non-conformity could be even bigger. The labor costs in these countries, on their way to accession, could rise, eroding a key source of competitive advantage. On a long term, the road to the “*euro zone*” could lead to the appreciation of the national currency and, consequently, fewer possibilities for Central and Eastern Europe companies to export.

¹ <http://www.eurofound.eu.int/pubdocs/2003/06/ro/1/ef0306ro.pdf>

At the end of 2004, Marsh (www.marsh.com), the international company of risk and brokerage consultancy in insurances, and Economist Intelligence Unit (www.eiu.com) made a survey² on a series of risks that fall under four main categories: operational, strategically, financial and hazard.

The following examples represent generic risks of a company:

Table 1: Generic risks of a company

<p style="text-align: center;">OPERATIONAL RISKS</p> <ul style="list-style-type: none"> - Cost of utilities; - Cost of materials; - Cost of manpower; - Staff fluctuation etc. 	<p style="text-align: center;">FINANCIAL RISKS</p> <ul style="list-style-type: none"> - Cost of capital accumulation; - Structure of obligations; - Budget restraint; - Bank's support etc.
<p style="text-align: center;">HAZARDS</p> <ul style="list-style-type: none"> - Industrial accident; - Sickness/ Industrial disease; - Responsibility for third parties; - Natural perils etc. 	<p style="text-align: center;">STRATEGICAL RISKS</p> <ul style="list-style-type: none"> - Development strategy; - Company's image; - Competition; - Research/ development activity etc.

In general, the greater the benefits, the higher the risks. Due to the economic and technological development, the improvement of the living standards and the freedom of moving forward, the number and the variety of risks increase. The success of a company over its competitors depends on the way it can administrate the risk.

Historically, the risks management in business relied on a particular component from the risks portfolio of different companies, called *hazard* – risk or risks together with injured persons and damaged properties, etc.

Remarkable results regarding hazards were obtained due to this traditional approach to risks management, thus contributing to the creation of various products and insurance solutions.

At present, hazards management, although important, is no longer adequate to provide success. The company's leadership must focus much more on the ensemble of activities than on certain particular activities, because:

- ⇒ The majority, if not all the risks in business, can adopt the examples of risks as shown above in the four quadrants (operational, financial, hazard and strategically);
- ⇒ Compared to the vision based on the control of hazards, the one based on the management of all the four types of risk will offer much more control upon the benefit of a company.

A study entitled “The risk management in the Central and Eastern Europe” analyzes the answers received from 10 countries (Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and Hungary) from 686 companies with an annual turnover of more than 5 million euro.

The conclusions of this survey revealed that the most significant risks the companies can not handle are:

- ⇒ competition growth (strategically risk);
- ⇒ decline in clients` demand (strategically risk);

² http://www.viewswire.com/report_dl.asp?mode=fi&fi=1160531701.PDF

- ⇒ losing key personnel in favor of competition (operational risk);
- ⇒ significant payment delays of services or products sold from the key-clients (financial risk);
- ⇒ modifications of exchange rate or interest rate (financial risk).

In the analyzed countries, almost 90% of the questioned managers declared that the increasing competition is the most important risk for their company and only more than half of them said that they planned and adopted important risk diminishing measures.

At the risks level, it can be noticed that some changes have occurred. If, not long ago, in a traditional manner, the hazardous and financial risks were considered to be the most worrying, nowadays, with the UE integration perspective, businessmen are rather concerned with strategically and operational risks.

II. Acquis communautaire, risks supplier for trade companies

Once the European Union enlarges its borders, the new risks that trade companies have to handle may have highly harmful effects, especially at local companies' level. Multinational companies are already familiar with the rules of the game; therefore, they have introduced significant management risks programs whose purpose is to sign proper insurances to the identified risk rank.

In our opinion, apart from the above mentioned risks, the adapting process of national legislation to the *acquis communautaire*, on one hand, and certain regulations of the *acquis*, on the other hand, can represent a new source of major risk for most of the companies from newly integrated countries or from the acceding countries to EU.

*A. Risks of non-compatibility between national legislation and *acquis communautaire**

A very interesting survey³, made by Eurochambres⁴ and SBRA⁵, concerning CEE⁶ companies' information level with respect to the *acquis communautaire*, reveals that: almost 10% of the polled companies claim that they are fully informed about the *acquis*, while more than half of respondents declare to be only partially informed. 28% of companies claim that they do not have any information, but the share of those who do not need information on the *acquis* since they only operate on their domestic markets decreased.

³ "Corporate Readiness for Enlargement in Central Europe - A Company Survey on the State of Preparations for the Single Market - 2003" - http://www.eurochambres.be/PDF/pdf_cape/BrochureCAPESurvey2003Def.pdf

⁴ The Association of European Chambers of Commerce and Industry represents 44 national associations of Chambers of Commerce and Industry, a European network of 2000 regional and local Chambers with over 18 million member enterprises in Europe - www.eurochambres.be or www.eurochabres.eu

⁵ *Slovenian Business & Research Association, Brussels - SBRA* is an international non-profit organization acting as a 'bridge' between the business and research communities in Slovenia and the EU institutions and other public and private bodies at EU level. Its founding members are the Chamber of Commerce and Industry of Slovenia, the Universities of Ljubljana and Maribor, Jozef Stefan Institute and the Cooperative Union of Slovenia. SBRA is financially supported by the Ministry of Education, Science and Sport and the Ministry of Agriculture, Forestry and Food, as well as 10 leading Slovenian companies and business associations as its associate members.

⁶ Bulgaria (BG), Czech Republic (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Poland (PL), Romania (RO), Slovakia (SK), Slovenia (SI).

Table 2: Level of information on the relevant provisions of EU legislation

Level of information	Number of companies who participate to the survey - 2003 -	Percentage (%)		
		2001	2002	2003
Fully informed about all relevant provisions	371	7	9	10
Know only parts of the legislation to be implemented	2.023	56	56	52
Doing business only on domestic market thus not concerned with EU legislation	289	8	10	8
Having practically no information on EU legislation	1.079	25	23	28
Don't know	103	4	3	3

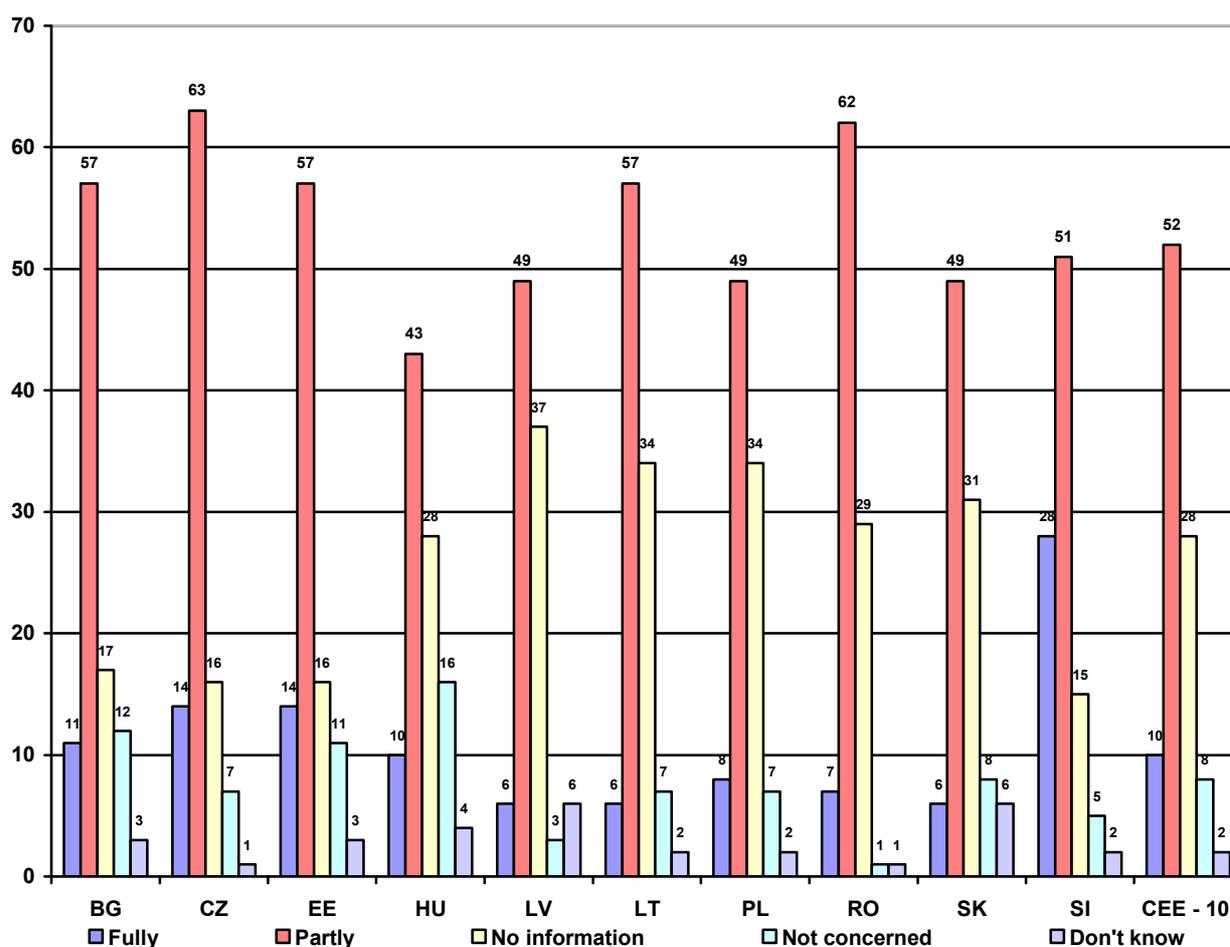


Figure 1: Level of information on EU legislation by CEE country (%)

In September 2005, PricewaterhouseCoopers⁷ commissioned the Institute for Marketing and Research (IMAS) to conduct another survey⁸ which regards only the situation from Romania.

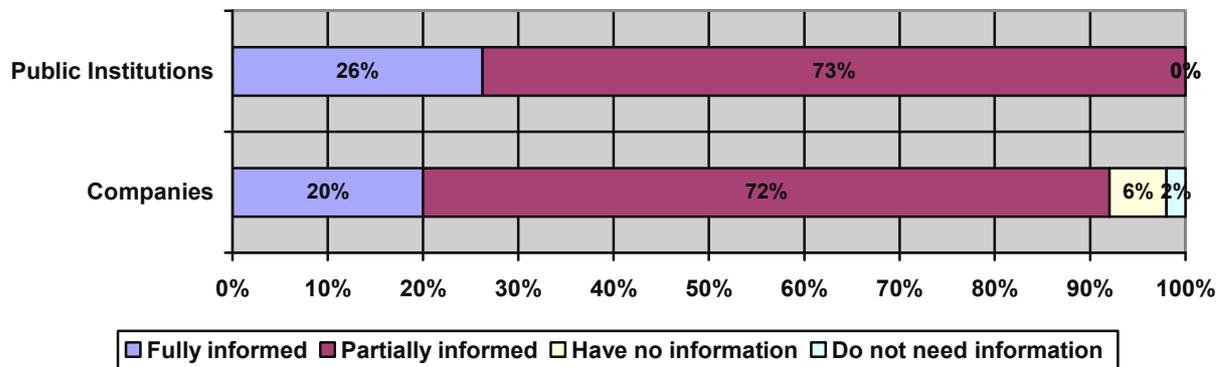


Figure 2: Level of knowledge regarding EU legislation in Romania: companies vs. public institutions

The selected sample included: large companies (with more than 500 employees and turnover higher than EUR 5 million) and medium and small enterprises with different scopes of activity, while for the public institutions, local counties, city halls and local development agencies having regional or local attributions were interviewed. Overall, the interviews included 61 public institutions and 446 companies.

The results of the survey have shown that both public institutions and private companies do not have yet a certain level of knowledge about the EU acquis.

However, only 26% of the public institutions and 20% of the private companies believe that they are fully informed as regards the EU legislation.

The results point out an urgent need for improving the level of knowledge about what the European Union entails, and the short period of time left until the accession date stresses the need for immediate actions, because the lack of such knowledge is a sign of not being ready for entering the Single Market.

Under these circumstances, the companies that will not take the necessary measures to administrate the new aspects triggered by the continuous adaptation of the national legislation to acquis, due to the increasing number of constraints, extremely powerful sometimes, would have to face too higher costs and even bankruptcy.

In this context, the insurers have to adapt and to create new product which take into consideration the need of stability of the companies and to diminish the negative effects produced by the non-conformity to the EU legislation.

B. Risks caused by the European legislation

⇒ Product liability and consumer protection

Consumer's protection takes an important place in the EU legislation concerning the unique market. The European Commission receives approximately 150 notifications of dangerous products every year, most often associated with risks of choking and suffocation,

⁷ PricewaterhouseCoopers is a truly global organization with member firm offices in 769 cities in 144 countries. PricewaterhouseCoopers provides industry-focused assurance, tax and advisory services for public and private clients.

⁸ "At the EU Gate: Are We Ready?" - http://rbd.doingbusiness.ro/securizate/price_1_m2006.pdf

electric shocks, and fires. Toys are on the top list of notifications, followed by electric appliances and products. Therefore, new rules aimed at consumer product safety have come into effect throughout the European Union.

The new EU General Product Safety Directive (GPSD) 2001/95/EC⁹ was adopted on 2001 and started to be applied on January 15, 2004.

The present GPSD modifying the Directive 92/59/EEC, as a general rule, establishes the communication to the public of information collected by member states and the Commission regarding the product safety. It requests a better cooperation among national authorities and reinforces the community early-warning plan for dangerous products.

Directive 2001/95/EC from December 3, 2001 concerning products general security, lengthens the liability area for the product quality, including all the participants to production and distribution chain, as well as importers, suppliers, traders, components projectors and manufacturers. The proof task in case of damages is reversed. The complainants are no longer asked for proofs, but in exchange, the strict liability system consists of suppliers and manufacturers' obligation to prove that they have taken all the necessary measures to reduce prejudice, loss or damage risk. Moreover, severe sanctions are applied to companies that do not report products that are not conformable.

Direct consequences of withdrawing non-corresponding products refer to boycotts, scandals and negative image in press that could lead to tremendously great loss to the affected companies. We can mention among these effects: a decrease in stocks exchange, a deteriorated brand image and the risk to induce bankruptcy.

It can be noticed that this increase in EU standards concerning consumer's protection can significantly determine increasing situations of product liability. Consequently, trade companies are aware of this aspect and will look for proper solutions to manage risk with a clear tendency to transfer the risks on the insurances market. At the same time, the complaints and liabilities frequency would be favorable for a future increase in insurance products prices that focus on product liability and consumers' protection as well as reviewing the policies and insurances conditions by certified companies.

It is likely for the insurances field with respect to contractual obligations and products withdrawal from the market to be restrained, divided into subcategories or even excluded. These measures for certain types of insured obligations can be changed from "an indefinite period of complaints" to "complaints from a certain period", such as medical malpraxis. Likewise, products put on the market many years ago, that eventually turn out to be dangerous, will no longer benefit from the old insurance policies available at the moment of manufacturing the product. In exchange, there will be available only the insurances that were valid at the moment of registering the complaints. This way, the insurers could impose insurance restrictions as soon as the specific dangers concerning a product are visible. It is a fact that, according to these new conditions, the insurance companies will demand specific information even if they have initially agreed to insure a nonspecific field.

To conclude with, it can be noticed the necessity for the risk management criteria solicited by the insurers to be more complex and strict. On the other hand, an efficient risk management will help control the insurance costs limiting the negative impact on the basic costs of the company that is essential to preserve cost advantages in EU.

⇒ *Human resources protection*

Every year almost 500 million workdays and 3% of GDP are lost because of work accidents in EU. According to European Statistics on Accidents at Work (ESAW) about 4.7 million accidents at work resulting in more than 3 days of absence from work occurred in the

⁹ Directive 2001/95/EC, was published in the Official Journal of the European Communities (OJEC) L series (Legislation) no. 11 of January 15, 2002.

EU-15. Put another way, about 4% of the workers were victims of an accident at work during the year. The EU worker becomes a victim of an accident at work every 5 seconds and one worker dies every two hours because of an accident at work.¹⁰

Also, dangers and tiredness (overall fatigue) at the workplace represent big problems in CEE. Moreover, an inquiry given to publicity in 2003 by the European Foundation for the Improvement of Living and Working Conditions showed the following¹¹:

- 42% of the employees in CEE countries think that their jobs deteriorate their health (compared to only 27% in the old EU-15 member states);
- 41% of the employees in CEE countries believe they suffer from tiredness because of the great number of work hours or because of other factors (compared to 23% of the EU-15 employees);
- 12% of the employees in CEE countries took leave from work because of professional diseases (compared to only 8% in EU-15);
- 28% of the employees in CEE countries and the old EU-15 suffer from stress because of the workplace;
- 4% of the employees in CEE countries and 6% of those of EU-15 lose more than 5 days/year because of work accidents.

Table 3: Working conditions in CEE+2¹² and EU-15

	BG	CY	CZ	EE	HU	LV	LT	MT	PL	RO	SK	SI	CEE+2	EU-15
<i>Health at risk</i>	39	41	34	39	38	48	50	33	45	44	38	38	42	27
<i>Stress</i>	15	39	25	26	28	31	24	17	27	36	29	26	28	28
<i>Overall fatigue</i>	51	45	34	46	31	39	45	20	43	42	39	34	41	23

Consequently, it is not a surprise to anyone the fact that EU is trying hard to reduce loss induced by professional injuries or diseases. The central legislative act that is currently applied in EU consists of Frame Directive 89/391/EEC of June 12, 1989 concerning the introduction of measures to promote safety and health improvement at the work place. This directive describes the Union general principles regarding occupational health and security while associate directives treat aspects specific to every industry or work field, type of accident or professional diseases.

Generally speaking, the approach used for safety at workplace in CEE focuses on obeying rules and procedures by the personnel, issuing preventive measures that are not of great importance. For this reason, the attention is focused rather on work accidents than on professional diseases.

Nevertheless, especially in CEE countries, due to cultural differences, along with the legislative modifications, there is registered an increase of the risks the employers have to deal with. The risks concern especially the complaints made by the employees concerning physical or of any other type of injuries. Accepting “preventive culture” is something new for

¹⁰ “Work and health in the EU - A statistical portrait” – 2004:

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-57-04-807/EN/KS-57-04-807-EN.PDF

¹¹ “Working conditions in the acceding and candidate countries” – 2003:

<http://www.eurofound.eu.int/pubdocs/2003/06/ro/1/ef0306ro.pdf>

¹² CEE + 2: Central and Eastern Europe countries + Cyprus (CY) and Malta (MT).

the CEE countries. Different responsibilities than the ones used so far are proposed to local companies by the legislation. For instance, the employers must take all the necessary measures concerning safety and health at the workplace and they must bear all the afferent expenses. Likewise, employers' responsibilities will focus on evaluating risks. Periodical analyses of risks on health and security at work place must be carried out and proper preventive measures have to be drawn up. The employers must inform the personnel on the evaluation and preventive measures results and, at the same time, they should make them aware of the new technologies that are to be implemented at the workplace as well as use instructions for new products. The employers are subject to prison punishment if they fail to take necessary security and health measures which would lead to severe and imminent dangers or work accidents or professional diseases. This aspect shall have a severe impact on insurance fields and policies that the employers pay to cover the above mentioned risks.

Presently, the insurance products specific to employees' protection differ from one country to another. Although it is hard to predict the impact of the insurances market in this field, we can say, however, that we can manage the employees' complaints. Reducing complaints seriousness by means of health and rehabilitation will become an important part in the strategy of general risk management at the companies' level.

On a long term, CEE employers will be more concerned with behavioral and social risks such as stress and sexual discriminations. The insurances for these risks fall under the policies category on hiring practices liabilities that, in most of EU countries are expensive and specialized.

⇒ *Environment protection*

EU legislation on environment is complex, consisting of over 300 acts that must be transposed into law and implemented in new member states or states in the accession process. Implementing the legislation on environment in new member states is estimated to require 80-110 billion euro (in Romania, the complete line-up to the requirements of *acquis* was estimated to about 29 billion euro¹³), in other words, approximately 1.000 euro for each new citizen of EU. 40% of this sum will be redirected towards reducing air pollution, 40% for administrating drinking and residual water and 20 for administrating solid and dangerous wastes.

According to a CAPE inquiry¹⁴, 35% of the trade companies and 40% of the new member states SME (small and medium enterprises) do not comply with the *acquis* requirements on environment.

The most expensive directives for the production and raw material companies are the ones dealing with prevention of direct pollution caused by the method of controlling emanations, of packing refuses and of contaminating the environment. In this respect, the basic legislation consists of EC Council Directive 96/61/EC concerning integrated pollution prevention and control (the IPPC Directive) representing the corner stone of the EU legislation on environment.

The insurances market concerning environment liability is relatively new in Europe; these products were put into practice at the beginning of the 90's. There is a difference between risks taken on by the insurance companies (too small) and the insurance premium

¹³ http://www.euractiv.ro/content/section/readStory/stID_20/pT_sumare/pID_5342/Mediul-ne-costa-29-MILIARDE-euro;-agentii-economici-vor-plati-o-treime.html

¹⁴ Centre d'Accueil de la Presse Etrangère à Paris – CAPE operates as a Public Interest Group (GIP), a form of organization ideal for an effective partnership between ministries, other public bodies, major institutions (public and private, French or foreign) in the information sector – <http://www.capefrance.org/en/thematique/europe.html>

(too high, the economic agents think). The ISO Certificate 14001¹⁵ is useful but not sufficient to support a greater interest of the insurances suppliers. A special importance is granted to companies' attitude towards environmental issues, in other words, to what extent does a company pay attention to environmental problems? The insurers analyze a key factor represented by integration of the environmental issues in the CEE companies' strategies, policies and programs.

There exist two types of possibilities for the companies wishing to contract insurances within the strategy of risk management: the insurances available at a local level or the international insurances market on environment.

The insurances available at local level are supplied by national insurers as part of a more complex liability package. We must highlight the fact that this possibility is chosen more and more seldom because general insurers withdraw from the field of environmental contaminations due to international insurers that have a greater availability to protection against risks. Moreover, the insurance offered by local companies is often limited at contaminations triggered by a 'sudden and accidental' action. Therefore, most of the environmental risks could not be covered by insurances.

The international market consists of a rather small number of multinational insurers (SwissRe, Wiener Städtische, AIG Environmental, IMA Environmental Insurance, XL Insurance Environmental, Generali etc.). These insurers dispose by specialized teams in environmental insurances and offer specific policies against contamination risk. Their products have a wider coverage than those on the local market, more permissive limits and longer insured periods.

⇒ *Directors and officers liability (D&O)*

The legislation compatibility concerning trade companies and consolidation of their management represents an action that, at the European Union level, embodied a series of directives directly or indirectly extending the personal responsibilities of companies' managers and/or administrators. Among these can be mentioned:

- Directive 2003/71/EC of European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC. This Directive implies that companies managers and administrators are subject to administrative or civil sanctions if the leaflets are incomplete or wrongly filled in;
- Directive 89/592/EEC of 13 November 1989 coordinating regulations on insider dealing and rigging the market according to which this kind of activities are illegal;
- Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements concerning information about issuers of financial titles is accepted for transactions on a regularized market. The responsible within the issuing departments are demanded to certify that every annual or quarterly report presents a precise description of the financial exercise, performances, other achievements and risks of the company, forging data as well as conclusions which could make the managing board to be liable to administrative and civil sanctions.

¹⁵ ISO 14001 is an international standard defining the structure of an organization, responsibilities, procedures, processes and necessary resources to implement environment management systems. The standard does not specify environment performance criteria but it empowers the organization to define these criteria.

The above mentioned Directives as well as the multiple financial scandals caused lately by big companies (Parmalat, Enron, Royal Ahold etc., outside the country and Rompetrol, Rafo etc., in Romania) turn the necessity for managers and officers liability insurances into a current problem.

Nonobservance of EU legislation will put companies' managers into positions vulnerable to litigations and sanctions. A better understanding of clients as well as the employers' rights will be more supportive to this tendency.

Directors and officers' liability insurance (D&O)¹⁶ protects the persons with managing attributions against financial loss caused by litigations against them, for a real or faked transgressive¹⁷ committed during the activity. But the company also can be protected against such litigations through special stipulations.

D&O liability insurances are available in most CEE countries. Most of the multinational corporations jointly insured their managing councils and local managers.

III. Conclusions

On a short term, the European Union extension will bring no fundamental change on the Central and Eastern Europe insurance market. Nevertheless, in a long run, competition increasing could lead to significant changes at the CEE market structures. For the first time, insurance buyers will benefit from direct access to insurances products available in all the EU member states. Big international insurance companies have already begun to seriously attack the local operators' market share, given the fact that it is no longer necessary to register as juridical person in every member state. In the first phase, we believe that external insurers will be more attracted by the big companies in the region for which international presence, specific expertise and offered products will be more attractive.

If the companies want to protect themselves from the risk of nonobservance of law and reduce the impact of further legislative modifications, it is essential to understand and keep in mind the already mentioned risk fields. Likewise, an efficient risk management does not refer only to avoiding the disaster but it has the potential to create competition advantages for those who apply for it.

The companies having a high performance risk management will be more attractive candidates to new investments and acquisitions seizing the chance of a better back up.

In Romania, Bulgaria, as in the majority countries from CEE, the integration process to the EU will provide a high risk management system performed by business entities or by insurance companies, which may be considered one of the most important advantage offered by the European integration.

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¹⁶ Directors and officers' liability insurance (D&O) is a type of professional liability insurance for board members and officers of companies.

¹⁷ Transgressive act means any accomplished or sustained error, neglect, omission, false, transgressive or misleading declaration, any breach of obligation or any other neglectful act committed while exerting the function and with respect to managers and administrators ability. Similar transgressive acts, continuous or repeated represent a single transgressive act. By committing such transgressive acts, managers or administrators can cause injuries to stockholders, competitors, clients, employers or even governmental authorities (source: Risk Consult, <http://www.marsh.ro>).

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