

4. Protea Medical Aid Society under provisional liquidation

Protea Medical Aid Society had been placed under provisional liquidation.

The Council for Medical Schemes has advised that Protea Medical Aid Society had been placed under provisional liquidation on 5 April 2011. This followed its curatorship, which was cancelled when the provisional liquidation order was granted.

The latest audited figures of Protea at the end of 2009 indicated that the scheme had just over 7 000 beneficiaries and a solvency ratio of 19%. A single large claim could deplete the scheme's reserves entirely. This motivated the CMS to take the necessary steps to protect the beneficiaries.

The liquidators advised that they were engaging with service providers who had or were currently providing services to Protea members and attending to such service provider claims. They requested that all actions against Protea members be kept in abeyance whilst the liquidation process unfolded.

Financial advisers were requested to act with restraint in providing advice to members, which should accord with the principles of best advice and with the best interests of the members at heart. Advice should also be based on a proper assessment of the situation.

IMPACT ON BENEFICIARIES: Protea beneficiaries should take note of the current situation and address any queries to the liquidators.

IMPACT ON FINANCIAL ADVISERS: Financial advisers could assist Protea beneficiaries in understanding the current situation and addressing any queries to the liquidators. They should act with restraint when advising clients in respect of scheme changes.

IMPACT ON SCHEMES: The developments in respect of Protea were specifically enlightening for small to medium sized schemes with reserve levels below the statutory requirement of 25%. Such a scenario could potentially result in the liquidation of the scheme.