



## PRESS RELEASE

Reference: Curatorship of Sizwe and Medshield uplifted  
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Date: 23 December 2014

### **Press Release 23 of 2014: CMS lifts curatorship of Sizwe and Medshield medical schemes**

The curatorship of both Sizwe and Medshield medical schemes has been uplifted by the North Gauteng High Court on 15 December 2014 at the request of the Council for Medical Schemes (CMS), regulator of the medical schemes industry.

According to Mr Daniel Lehutjo, Acting Chief Executive & Registrar of the CMS, “the uplifting of curatorship follows after all the governance and other salient issues which led to Sizwe and Medshield being placed under curatorship have been dealt with by the curators of both schemes.”

The Medical Schemes Act 131 of 1998 empowers the CMS to appoint a curator if there are valid concerns of governance and other failures which are not in the interests of the scheme and beneficiaries.

“CMS thanks all the loyal beneficiaries for supporting Sizwe and Medshield during their period under curatorship. CMS also thanks brokers who advised Sizwe and Medshield members appropriately, service providers such as hospitals and medical officers who continued to service the members of these two schemes while they remained under curatorship,” said Lehutjo.

“CMS is confident that the new board of trustees of both Sizwe and Medshield will serve the interests of their members well. We also wish to thank the respective curators for their hard work in ensuring that the governance and other issues are resolved and that these schemes continue to operate at an even higher level as envisaged in the Medical Schemes Act to the benefit of members,” stated Lehutjo.

#### **Why Sizwe and Medshield were placed under curatorship**

Sizwe had been under curatorship since September 2012 when the CMS found a rapidly declining solvency ratio, financial and governance irregularities as well as a board of trustees who were not properly constituted at the time. The curator, Mr Johannes Malose Seoloane investigated all suspected irregularities and the former Principal Officer of Sizwe, Linda Gabela, was arrested on 11 June 2013 and has been charged and is currently on trial for fraud before the Specialised Commercial Crimes Court in Johannesburg. Sizwe's solvency ratio has since stabilised and is just under 40%.

Medshield had been under curatorship since October 2012 when the CMS found, amongst other governance breaches, that the board of trustees had appointed Mr Mabeta as the chief executive officer of the scheme for the period September 2011 to February 2012 at a monthly salary of R99 290, for a three-day work week. The trustees entered into a contract with Sapling, in terms of which Sapling stood to gain R132 million over the three year life of the contract. Illegally paying brokers "research fees" amounting to an estimated R28 million in order to incentivise them to sign up only young members to the scheme. This is unfair discrimination based on age and is illegal in terms of both the Medical Schemes Act 131 of 1998 and the Constitution.

"In the period while Medshield was under curatorship, the curator Dr Tebogo Phaleng reviewed all current major contractual agreements, terminating those found to be illegal and instituting legal action against entities and individuals found to have benefited unduly from those contracts; and entering into settlement agreements with the purpose of recovering money owed to the Scheme," said Lehutjo.

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