

# Yalu, an alternative to credit life insurance

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26 Nov 2019

Did you know that you are very likely paying credit life insurance on your debt right now? And like most people, you may not know that you have the option to choose your own credit life insurance provider.



Tlalane Ntuli

Credit life insurance can be complicated to understand, difficult to navigate and leave you feeling cheated, but paying attention to the fine print of financial products is a crucial skill for people.

We chat to Tlalane Ntuli, co-founder and COO of Yalu Financial Services, who shares the journey of the credit life insurance provider...

## ▣ *Can you tell us a bit about Yalu?*

Yalu is a credit life insurance provider underwritten by Old Mutual Alternative Risk Transfer Limited. The company was founded in late 2017 by myself and Nkazi Sokhulu, formerly executives at FNB Life at the time. We started operating in 2018 with the first Credit Life Insurance policy sold in June 2018.

While we started off only providing credit life insurance cover for personal loans, the Yalu Credit Life Insurance Plan now covers all forms of unsecured debt provided by banks.

## ▣ *When, how and why did you get started?*

In 2017 the National Credit Regulator released new Credit Life Insurance regulations that fundamentally shifted the industry

landscape and created an opportunity for independent providers to enter the market. This is an opportunity we identified and took advantage of early on.

Over and above this, we were both going through a phase in our careers that had brought us to question the real customer value, we were, in fact, delivering in the respective executive roles we occupied within a large corporate - in particular, the issue around the high numbers of unpaid claims in this subsegment of insurance was indicative of just how much customers were being taken advantage of by the very providers that are meant to be looking after their best interest – this did not sit well with us.

Yalu officially opened its doors at the end of 2017 having spent time conceptualising the product and the platform. Our key focus areas at the time were on obtaining the correct regulatory requirements to become a financial services provider, securing the right partners, specifically for IT, underwriting and re-insurance.

Importantly we had to develop a business model we believed could help us scale Yalu and ensure its sustainability.

### ▣ ***What is the core function of Yalu?***

Yalu offers consumers an alternative credit life insurance solution to what they receive from their bank or credit provider. Credit Life Insurance covers consumers credit facilities in the case of disability, retrenchment and death. This is a policy that is usually sold along with credit facilities', leaving customers with little if any awareness of its existence or what it is costing them.

The Yalu Credit Life Insurance Plan offers four key benefits which differentiate it from the rest of the market:

1. **Affordability** – through premiums that decrease with the balance of the credit facility as it is paid off, this policy offers clients the opportunity to save on what they are currently paying for Credit Life Insurance.
2. **Simplicity** – the policy's Ts and Cs are simple to understand making it easy for customers to appreciate what they are covered, as well as how and when they can claim. In addition to this, the policy take-up process is 5 minutes online and has an automated cancellation process for the existing policy. This eliminates the cumbersome switching process.
3. **10% premiums back at the end of the loan** – At the end of the debt or after five years for revolving credit, the Yalu Credit Life Insurance Plan refunds consumers 10% of the premiums they have paid back, i.e. another way of saving consumers money.
4. **One policy covers multiple credit facilities** – most South Africans have more than one facility across more than one provider. The Yalu Credit Life Insurance plan covers all credit facilities under one policy, meaning one premium, one set of Ts and Cs and one provider to deal with should there ever be a need to claim.

### ▣ ***What are some of the obstacles you've had to overcome since starting out?***

Entrepreneurship, in general, is extremely difficult in South Africa. This is further amplified by the industry we are operating in but most importantly the challenger nature of our business.

Top of the list is access to diverse funding. This a challenge most entrepreneurs know and understand only too well. The South African investor pool is an extremely risk-averse one, most investors want to see that you are either already turning a profit or you are at least a year or two away from this point. The reality is Insurance is a long-term play that requires patience and dedication.

Secondly and probably more importantly to Yalu at this stage is competitor or current incumbent reaction. Similar to the Ubers of the world there is always huge resistance from existing providers to allow new disruptive providers to enter a stale but extremely profitable industry.

That has been Yalu's experience because ours is fundamentally a switch play that requires providers/competitors to cancel the existing policy the need to level the playing field is a critical one; this has not happened.

In a lot of cases, the incumbents have made it impossible for consumers to exercise their right to select a credit life insurance policy of their choice. We have seen some really shocking tactics from SA's big banks in this regard.

These tactics range from simple cases like delaying the switch for up to 3 to 6 months to more extreme situations like blocking Yalu's email domain or even sending clients to branches to effect the switch only for them to be sent away without being assisted. This goes against the latter of the law and the TCF principles that each financial services provider is expected to adhere to. It is indeed a sad state of affairs for our consumers when providers protect their own profits ahead of consumer rights.

### ▣ ***What advice would you give to other aspiring entrepreneurs?***

- Understand your industry and sector, leave nothing to chance.
- Make sure you are responding to a true consumer need that exists in the market
- Don't ever stop capital raising or engaging the investor community
- Find the right partnerships and business model to scale your business, without this your business could be doomed to fail
- Find a partner that you share basic values with – going it alone is not worth the pain
- Surround yourself with functional experts – you will never know everything or be everything to your business
- Every now and then, take a load off!

### ▣ ***What has been your proudest achievement thus far?***

There have really been many moments that have made us proud, including receiving accolades in recognition of our work that have really humbled us.

The proudest moment by far, however, was when we exceeded 1,000 sales in one month. Even though we had not yet secured any strategic partnership we were able to sell more 1,000 policies in one month.

This, more than anything, we believe speaks to the appetite that exists in the market for our product. It also proved everything that we believed to be true of South African consumers where credit life insurance is concerned.

Most importantly it has proven that this is an industry that is ripe for disruption, for the betterment of consumers.

### ▣ ***What does the future of entrepreneurship look like to you?***

I think this depends on who you speak to, there is still quite a huge disparity between what entrepreneurship is and what people assume it is. There is a misconception that entrepreneurship is “sexy”, there is nothing further from the truth.

It is hard, it is gruelling, it requires thinking on your feet and the ability to respond to market conditions with immediacy.

My firm belief is that the future of the South African economy truly rests in the hands of entrepreneurs; to solve for amongst other things the high level of unemployment.

For this to happen though, we need a tax system that recognises the difficulty of getting a business off the ground by offering tax breaks that help inject funds back into the business. We need an investor community that is ready and willing to take the risks it requires to make that first investment.

We need legislative frameworks that acknowledge the ridiculously high-cost implications of complying with every single regulation, particularly in the financial services industry. A competitor landscape that is level and fair for entrepreneurs to enter and disrupt industries that are ripe for disruption.

Entrepreneurship requires senior political sponsorship that goes beyond the talk shops we are often exposed to, people who are willing to roll up their sleeves and take on the challenge of helping create a conducive environment.

So, from my perspective, there is a lot of work to be done in South Africa to reach the full potential of entrepreneurship and what it can truly do for the economy of our country. As long as no real progress is made on these frontiers and others, then I'm afraid the future of entrepreneurship is not looking very bright, in fact, I could go as far as saying its bleak.

🚦 ***What do you think is the importance of start-up accelerator/incubator programmes?***

Accelerators/incubator programmes are great specifically for people who have little or no experience running or managing businesses, whether at a small scale or within a corporate environment.

They do however sometimes come across as really theoretical particular when operated by people who themselves have never walked the journey and therefore have limited understand and respect for what it really takes.

So, is there a role for these programmes? Absolutely, but they can not be run as a one size fits all – there needs to be the recognition and appreciation for where each startup is on their journey, who is running them and what experience they have, then find ways to they can be supported and amplified.

🚦 ***What would you like to see changed in the South African startup landscape?***

I would like to see more practical intergovernmental assistance that looks at all aspects of startups with the objective of enabling not only for new entrants to enter the market but also for them to thrive and build sustainability.

Its great to be a startup, but one cannot be a startup forever, we have to be forward-thinking to the next phase of the journey, what is needed to make it a success and also where these startup starts making a meaningful contribution to the economy.

🚦 ***What do you believe are the traits an entrepreneur needs in order to succeed?***

Tenacity, Tenacity, Tenacity!

Determination; patience; hard work; humility and open-mindedness

🚦 ***Why would you encourage someone to become an entrepreneur?***

Honestly, I wouldn't, particularly not if they have a cushy corporate job, but for many like myself and Nkazi going on this journey is not a choice, it is following a calling, filling a gaping hole and living your purpose – all of which is impossible to ignore.

I paint a bleak picture in my answers but that's because I would rather people understood the demands and challenges on

this journey and think long and hard about it. It is not to say however that there are no positives. There are many; for me, one of the key ones is the control I now feel I have over my destiny and the true change I believe I am going to make in people's lives.

### ▣ ***Where would you like to see Yalu in the next 5 years?***

Honestly, this is not a clear and cut answer. One thing for sure, I would like Yalu to keep delivering customer value and making a difference in people's lives, whether customers, employees or even investors.

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