

**BUSINESS**

# City brokers edge Red Sea timebomb tanker to safety

MOHAMMED HAMOUD/ANADOLU/GETTY IMAGES



The Safer's rotting hull holds a million barrels of oil and gas

**Laith Al-Khalaf**

For six months, David Howden has been trying to defuse a ticking timebomb. An odd job for the head of an insurance brokerage.

The FSO Safer is a rotting oil tanker moored off the coast of Yemen laden with one million barrels of oil and toxic gas. For five years it has carried the deadly mix and it could explode at any moment; crippling world trade, causing environmental disaster and adding to the humanitarian crisis in war-torn Yemen.

In March the United Nations bought the tanker from the state-owned Yemeni company and set up plans to decant its deadly contents to a second ship, the Nautica, and tow the Safer for scrap.

All the pieces were falling into place, but one problem remained: insurance. No contractors would be prepared to attempt such a perilous project without it – the financial liabilities would be simply too great.

Providing insurance for such dangerous and complex work in a war zone was without precedent.

Nearly 4,000 miles from the Safer, at his City of London offices, after months of painstaking work, Howden reckons his insurance brokerage has managed to pull it off

“I felt determined that we must succeed. Anything else would have been an unmitigated disaster for the world,” Howden said.

Last week, there was a breakthrough: after lengthy persuasion and negotiation, Howden assembled a network more than a dozen underwriters to offer the necessary insurance for the

project to begin. Since 1987, the Safer has floated between the coastlines of Yemen and Saudi Arabia, storing Yemen's oil for export. But in 2014 it fell into the hands of rebels fighting Yemen's civil war, who prevented vital maintenance work on the 47-year-old ship.

Howden said: “What we are doing here is unprecedented in its complexity. I have been in insurance for 43 years and it's undoubtedly one of the most complicated risks I have seen underwritten.”

Over the past seven years, the Safer's steel hull has corroded dangerously, which could sink the ship and flood its waters with oil, causing \$20 billion worth of environmental damage and closing shipping routes from the Suez Canal.

In 2017, when the ship's generator stopped working, inert gases could no longer be pumped into its chambers to render harmless the toxic, highly inflammable gases emitted from crude oil.

Technical salvage experts from Smit, a Dutch company, are already at the Safer. As early as next week, it will be

pumped with inert gases before it is connected to the Nautica by pipes and the oil siphoned off. During the operation there will be a one second “flash sale” of the Nautica to Yemen's state-owned oil company.

The UN has spent nearly \$150 million on the whole operation so far, much of it raised by donations. Howden is understood to have waived its brokering fee.

Achim Steiner, administrator of the United Nations Development Programme, which is behind the mission, said the salvage operation “is one of the most complex we've ever had to put together ... we have assembled an army of experts from around the world.”

That includes contingency plans in case something goes wrong.

Howden's job was to convince underwriters to insure the complex task. The company worked with naval architects, salvage experts and engineers, many of whom deployed deep-sea divers to photograph the rusty vessel to evaluate the risks. Insurance companies will only commit if they are

comfortable that the risks have been effectively identified and priced in to the premium.

In total, 100 underwriters were involved to assess the risks, with 13 agreeing to cover certain aspects of the mission. This splitting technique allowed insurers to choose to cover from nine different risks making up the policy, which included damage to the cargo, the vessel and war damage.

Howden said that central to any insurance plan was London's robust market, which contains hundreds of insurance syndicates. “I think this is a risk that would have been unplaceable without the power of the London market,” he said.

John Neal, chief executive of Lloyd's of London, where Howdens arranged the cover, said that the market had learnt a lot about measures to de-risk shipping from the experience of transporting grain out of the Black Sea in the Ukraine war. “It's encouraging to see the knowledge and expertise held in the Lloyd's market being used to protect what matters most – in this case, our natural environment and the economic activities our world relies on,” he said.

Fidelis MGU is covering about 20 per cent of the mission. It is thought to be co-leading the project with AXA XL. Richard Brindle, Fidelis chief, said inaction would lead to “Armageddon”.

“There are of course risks but we think they are well managed risks,” he said. “God forbid she does break up. The devastation will fall on communities who are pretty much entirely uninsured and it would cause utter devastation to their lives.”