

Ocean Drilling & Exploration Co. v. U.S. (Fed. Cir. 1993)

Ocean Drilling & Exploration Co. v. U.S.
United States Court of Appeals for the Federal Circuit
Docket No. 92-5127
(33 original pages)
Decided: March 09, 1993
Cite(s): 988 F.2d 1135
93-1 USTC Para. 50,160
71 AFTR2d 93-1184
1993 U.S. App. LEXIS 4330

OCEAN DRILLING & EXPLORATION COMPANY,
(ON BEHALF OF ITSELF AND ITS
CONSOLIDATED SUBSIDIARIES)
Plaintiff-Appellee,
v.
THE UNITED STATES,
Defendant-Appellant.

Judge

Judge(s): per curiam

Summary

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FEDERAL CIRCUIT AGREES WITH FINDING OF TRUE INSURANCE BETWEEN OIL & GAS COMPANY AND ITS SUBSIDIARY.

The Federal Circuit has affirmed the Claims Court's decision in Ocean Drilling & Exploration Co., which held that payments made by the company to its wholly owned subsidiary constituted insurance premiums deductible as business expenses under section 162. The Claims Court had found that the subsidiary was a valid insurance company, and that risk shifting and risk distribution were both present. The Federal Circuit's opinion was brief, and contained the lower court's opinion as an appendix. (For a further summary of the Claims Court's decision, see Tax Notes, Dec. 30, 1991, p. 1492; for the full text, see 91 TNT 261-9, or H& D, Dec. 26, 1991, p. 2937.)

Opinion Text

DECIDED: March 9, 1993

Before Nies, Chief Judge, Archer and Clevenger, Circuit Judges.

PER CURIAM.

The United States appeals the judgment of the United States Claims Court¹ in Ocean Drilling & Exploration Co. v. United States, 24 Cl. Ct. 714 (1991). The issues appealed by the government are: (1) whether the Claims Court erred in holding that payments made by Ocean Drilling & Exploration Company (ODECO) (on behalf of its operating subsidiaries) to Mentor Insurance Limited (Mentor), a wholly-owned subsidiary of ODECO, constituted true insurance premiums that are deductible as business expenses under section 162 of the Internal Revenue Code of 1954, as amended (IRC),² and (2) if properly classified as insurance premiums, whether Mentor's income from insuring the drilling rigs of ODECO's subsidiaries located in waters of the outer continental shelf of the United States constituted income from the insurance of United States risks within the meaning of sections 951-953 of the IRC.

¹ The Claims Court was renamed the Court of Federal Claims on October 29, 1992. Federal Courts Administration Act of 1992, Pub. L. No. 102-572, section 902(a), 106 Stat. 4506.

² All references are to the Internal Revenue Code of 1954, as amended, because the tax years involved in this proceeding are 1974 and 1975. See 26 U.S.C. sections 162, 951-953 (1988).

We adopt the analysis and holding on these issues as set forth in the Claims Court's opinion, which is attached as an appendix. Accordingly, the judgment of the Claims Court is

AFFIRMED.

- End of Case -