APPENDIX B

Engrossed version of SB 699 from 76th legislative session in Texas

By: Sibley S.B. No. 899

A BILL TO BE ENTITLED
AN ACT

relating to certain investments and rate reductions by insurance companies and related organizations; providing an administrative penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 4, Insurance Code, is amended by adding Subchapter B to read as follows:

SUBCHAPTER B. PREMIUM TAX CREDIT FOR INVESTMENT IN CERTIFIED CAPITAL COMPANY

Art. 4.51. DEFINITIONS. In this subchapter:

(1) "Affiliate" of another person means:

(A) a person who is an affiliate for purposes of Section 2, Article 21.49-1 of this code;

(B) a person who directly or indirectly:

(i) beneficially owns 10 percent or more of the outstanding voting securities or other ownership interests of the other person, whether through rights, options, convertible interests, or otherwise; or

(ii) controls or holds power to vote 10 percent or more of the outstanding voting securities or other ownership interests of the other person;

(C) a person 10 percent or more of the outstanding voting securities or other ownership interests of which are directly or indirectly:

(i) beneficially owned by the other person, whether through rights, options, convertible interests, or otherwise; or

(ii) controlled or held with power to vote by the other person;

(D) a partnership in which the other person is a general partner; or

(E) an officer, director, employee, or agent of the other person, or an immediate family member of the officer, director, employee, or agent.

(2) "Certification date" means the date on which a certified capital company is certified under this subchapter.

(3) "Certified capital" means an investment of cash by a certified investor in a certified capital company that fully funds the purchase price of either its equity interest in the company or a qualified debt instrument issued by the company.

(4) "Certified capital company" means a partnership, corporation, or trust or limited liability company, whether organized on a profit or not-for-profit basis, that has as its primary business activity the investment of cash in qualified businesses and that is certified as meeting the criteria of this subchapter.

(5) "Certified investor" means an insurance company or other person that has state premium tax liability that either:

(A) contributes certified capital pursuant to an allocation of premium tax credits under this subchapter; or

(B) becomes irrevocably committed to contribute certified capital by preparing and executing a premium tax credit allocation claim.

(6) "Early stage business" means a qualified business that:

(A) is involved, at the time of a certified capital company's first investment, in activities related to the development of initial product or service offerings, such as prototype development or establishment of initial production or service processes; or

(B) was initially organized less than two years before the date of the certified capital company's first investment and, during the fiscal year immediately preceding the year of the first investment had, on a consolidated basis with its affiliates,

gross revenues of not more than $2 million as determined in accordance with generally accepted accounting principles.

(7) "Person" means a natural person or entity, including a corporation, general or limited partnership, or trust or limited liability company.

(8) "Premium tax credit allocation claim" means a claim for allocation of premium tax credits.

(9) "Qualified business" means a business that, at the time of a certified capital company's first investment in the business:

(A) is headquartered in this state and intends to remain in this state after receipt of the investment by the certified capital company;

(B) has its principal business operations located in this state and intends to maintain business operations in this state after receipt of the investment by the certified capital company;

(C) has agreed to use the qualified investment primarily to:

(i) support business operations, other than advertising, promotion, and sales operations, in this state; or

(ii) in the case of a start-up company, establish and support business operations, other than advertising, promotion, and sales operations, in this state;

(D) has not more than 100 employees and employs at least 80 percent of its employees in this state;

(E) is primarily engaged in:

(i) manufacturing, processing, or assembling products;

(ii) conducting research and development; or

(iii) providing services; and

(F) is not primarily engaged in:

(i) retail sales;

(ii) real estate development;

(iii) the business of insurance, banking, or lending; or

(iv) the provision of professional services provided by accountants, attorneys, or physicians.

(10) "Qualified debt instrument" means a debt instrument issued by a certified capital company, at par value or a premium, that:

(A) has an original maturity date of at least five years after the date of issuance;

(B) has a repayment schedule that is not faster than a level principal amortization over five years;

(C) has an annualized internal rate of return that:

(i) is computed using the purchase price of the qualified debt instrument, all payments of principal and interest on the qualified debt instrument, and all future tax credits projected to be received with respect to the qualified debt instrument; and

(ii) does not exceed by more than 300 basis points the yield made, on the date of issuance of the qualified debt instrument, on the five-year United States Treasury security most recently issued, as of that date, by the United States Treasury; and

(D) does not have:

(i) an equity component; or

(ii) interest, distribution, or payment features or components that are related to the profitability of the company or the performance of the company's investment portfolio whether the features or components are part of or attached to the qualified debt instrument or are distributed or sold separately and purchased or obtained by the holder of the qualified debt

instrument or any of its affiliates.

(11) "Qualified distribution" means any distribution or payment by a certified capital company in connection with:

(A) the reasonable costs and expenses of forming, syndicating, managing, and operating the company, provided that the distribution or payment is not made directly or indirectly to a certified investor or an affiliate of a certified investor, including:

(i) reasonable and necessary fees paid for professional services, including legal and accounting services, related to the formation and operation of the company; and

(ii) an annual management fee in an amount that does not exceed two and one-half percent of the value of the assets of the company; and

(B) any projected increase in federal or state taxes, including penalties and interest related to state and federal income taxes, of the equity owners of the company resulting from the earnings or other tax liability of the company to the extent that the increase is related to the ownership, management, or operation of the company.

(12) "Qualified investment" means the investment of cash by a certified capital company in a qualified business for the purchase of any debt, equity, or hybrid security of any nature or description, including a debt instrument or security that has the characteristics of debt but that provides for conversion into equity or equity participation instruments such as options or warrants.

(13) "State premium tax liability" means any liability incurred by any person under Subchapter A of this chapter or under Article 9.59 of this code.

Art. 4.52. DUTIES OF COMPTROLLER; RULES. The comptroller shall administer this subchapter and may adopt rules and forms as necessary to implement this subchapter.

Art. 4.53. CERTIFICATION. (a) The comptroller by rule shall establish the application procedures for certified capital companies.

(b) An applicant must file an application not later than April 17, 2000, in the form prescribed by the comptroller accompanied by a nonrefundable application fee of $7,500. The application must include an audited balance sheet of the applicant, with an unqualified opinion from an independent certified public accountant, as of a date not more than 35 days before the date of the application.

(c) To qualify as a certified capital company:

(1) the applicant must have, at the time of application for certification, an equity capitalization of at least $500,000 in the form of unencumbered cash or cash equivalents;

(2) at least two principals or persons employed to manage the funds of the applicant must have at least two years of experience in the venture capital industry; and

(3) the applicant must satisfy any additional requirement imposed by the comptroller by rule.

(d) The comptroller shall review the application, organizational documents, and business history of each applicant and shall ensure that the applicant satisfies the requirements of this subchapter.

(e) Not later than the 30th day after the date an application is filed, the comptroller shall:

(1) issue the certification; or

(2) refuse to issue the certification and communicate in detail to the applicant the grounds for the refusal, including suggestions for the removal of those grounds.

Art. 4.54. MANAGEMENT BY CERTAIN ENTITIES PROHIBITED. (a) An insurance company, group of insurance companies, or other persons who may have state premium tax liability or the affiliates of the insurance companies or other persons may not, directly or

indirectly:

(1) manage a certified capital company;

(2) beneficially own, whether through rights, options, convertible interests, or otherwise, more than 10 percent of the outstanding voting securities of a certified capital company; or

(3) control the direction of investments for a certified capital company.

(b) Subsection (a) of this article applies without regard to whether the insurance company or other person or the affiliate of the insurance company or other person is licensed by or transacts business in this state.

(c) This article does not preclude a certified investor, insurance company, or any other party from exercising its legal rights and remedies, including interim management of a certified capital company, if authorized by law, with respect to a certified capital company that is in default of its statutory or contractual obligations to the certified investor, insurance company, or other party.

Art. 4.55. OFFERING MATERIAL USED BY CERTIFIED CAPITAL COMPANY. Any offering material involving the sale of securities of the certified capital company must include the following statement:

> By authorizing the formation of a certified capital company, the State of Texas does not endorse the quality of management or the potential for earnings of the company and is not liable for damages or losses to a certified investor in the company. Use of the word "certified" in an offering does not constitute a recommendation or endorsement of the investment by the comptroller of public accounts. If applicable provisions of law are violated, the State of Texas may require forfeiture of unused premium tax credits and repayments of used premium tax credits.

Art. 4.56. REQUIREMENTS FOR CONTINUANCE OF CERTIFICATION. (a) To continue to be certified, a certified capital company shall make qualified investments according to the following schedule:

(1) before the third anniversary of its certification date, a company must have made qualified investments in an amount cumulatively equal to at least 30 percent of its certified capital; and

(2) before the fifth anniversary of its certification date, a company must have made qualified investments in an amount cumulatively equal to at least 50 percent of its certified capital, subject to Subsection (b) of this article.

(b) At least 50 percent of the amount of qualified investments required by Subsections (a)(1) and (2) of this article must be placed in early stage businesses.

(c) The aggregate cumulative amount of all qualified investments made by the certified capital company after its certification date shall be considered in the computation of the percentage requirements under this subchapter. Any proceeds received from a qualified investment may be invested in another qualified investment and count toward any requirement in this subchapter with respect to investments of certified capital.

(d) A business that is classified as a qualified business at the time of the first investment in the business by a certified capital company remains classified as a qualified business and may receive follow-on investments from any certified capital company. Except as provided by this subsection, a follow-on investment made under this subsection is a qualified investment even though the business may not meet the definition of a qualified business at the time of the follow-on investment. A follow-on investment does not qualify as a qualified investment if, at the time of the follow-on investment, the qualified business no longer has its principal business operations in this state.

(e) A qualified investment may not be made at a cost to a certified capital company greater than 15 percent of the total

certified capital of the company at the time of investment.

(f) If, before the first anniversary of the date that a certified capital company makes an investment in a qualified business, the qualified business moves its principal business operations from this state, the investment may not be considered a qualified investment for purposes of the percentage requirements under this subchapter.

(g) A certified capital company shall invest any certified capital not invested in qualified investments in:

(1) cash deposited with a federally insured financial institution;

(2) certificates of deposit in a federally insured financial institution;

(3) investment securities that are obligations of the United States or its agencies or instrumentalities or obligations that are guaranteed fully as to principal and interest by the United States;

(4) investment-grade instruments rated at least "A" or its equivalent by a nationally recognized rating organization;

(5) obligations of this state or any municipality or political subdivision of this state; or

(6) any other investments approved in advance and in writing by the comptroller.

Art. 4.57. EVALUATION OF BUSINESS BY COMPTROLLER. (a) A certified capital company may, before making an investment in a business, request from the comptroller a written opinion as to whether the business in which it proposes to invest is a qualified business or an early stage business.

(b) The comptroller shall, not later than the 15th business day after the date of the receipt of a request under Subsection (a) of this article, determine whether the business meets the definition of a qualified business or an early stage business, as applicable, and notify the certified capital company of the determination and an explanation of its determination or notify the certified capital company that an additional 15 days will be needed to review and make the determination.

(c) If the comptroller fails to notify the certified capital company with respect to the proposed investment within the period specified by Subsection (b) of this article, the business in which the company proposes to invest is considered to be a qualified business or early stage business, as appropriate.

Art. 4.58. REPORTS TO COMPTROLLER; AUDITED FINANCIAL STATEMENT. (a) Each certified capital company shall report to the comptroller as soon as practicable after the receipt of certified capital:

(1) the name of each certified investor from whom the certified capital was received, including the certified investor's insurance premium tax identification number;

(2) the amount of each certified investor's investment of certified capital and premium tax credits; and

(3) the date on which the certified capital was received.

(b) Not later than January 31 of each year, each certified capital company shall report to the comptroller:

(1) the amount of the company's certified capital at the end of the preceding year;

(2) whether or not the company has invested more than 15 percent of its total certified capital in any one business;

(3) each qualified investment that the company made during the preceding year and, with respect to each qualified investment, the number of employees of the qualified business at the time the qualified investment was made; and

(4) any other information required by the comptroller, including any information required by the comptroller to comply with Article 4.74 of this code.

(c) Not later than April 1 of each year, the company shall provide to the comptroller an annual audited financial statement

that includes the opinion of an independent certified public accountant. The audit shall address the methods of operation and conduct of the business of the company to determine whether:

(1) the company is complying with this subchapter and the rules adopted under this subchapter;

(2) the funds received by the company have been invested as required within the time provided by Article 4.56(a) of this code; and

(3) the company has invested the funds in qualified businesses.

Art. 4.59. RENEWAL. (a) Not later than January 31 of each year, each certified capital company shall pay a nonrefundable renewal fee of $5,000 to the comptroller.

(b) Notwithstanding Subsection (a) of this article, a renewal fee is not required within six months of the initial certification date of a certified capital company.

Art. 4.60. DISTRIBUTIONS; REPAYMENT OF DEBT. (a) A certified capital company may make a qualified distribution at any time. To make a distribution or payment, other than a qualified distribution, a company must have made qualified investments in an amount cumulatively equal to 100 percent of its certified capital.

(b) Notwithstanding Subsection (a) of this article, a company may make repayments of principal and interest on its indebtedness without any restriction, including repayments of indebtedness of the company on which certified investors earned premium tax credits.

Art. 4.61. ANNUAL REVIEW; DECERTIFICATION. (a) The comptroller shall conduct an annual review of each certified capital company to:

(1) ensure that the company continues to satisfy the requirements of this subchapter and that the company has not made any investment in violation of this subchapter; and

(2) determine the eligibility status of its qualified investments.

(b) The cost of the annual review shall be paid by each certified capital company according to a reasonable fee schedule adopted by the comptroller.

(c) A material violation of Article 4.56, 4.58, or 4.59 of this code is grounds for decertification of the certified capital company. If the comptroller determines that a company is not in compliance with Article 4.56, 4.58, or 4.59 of this code, the comptroller shall notify the officers of the company in writing that the company may be subject to decertification after the 120th day after the date of mailing of the notice, unless the deficiencies are corrected and the company returns to compliance with those articles.

(d) The comptroller may decertify a certified capital company, after opportunity for hearing, if the comptroller finds that the company is not in compliance with Article 4.56, 4.58, or 4.59 of this code at the end of the period established by Subsection (c) of this article. Decertification under this subsection is effective on receipt of notice of decertification by the company. The comptroller shall notify any appropriate state agency of the decertification.

Art. 4.62. ADMINISTRATIVE PENALTY. (a) The comptroller may impose an administrative penalty on a certified capital company that violates this subchapter.

(b) The amount of the penalty may not exceed $25,000, and each day a violation continues or occurs is a separate violation for the purpose of imposing a penalty. The amount of the penalty shall be based on:

(1) the seriousness of the violation, including the nature, circumstances, extent, and gravity of the violation;

(2) the economic harm caused by the violation;

(3) the history of previous violations;

(4) the amount necessary to deter a future violation;

(5) efforts to correct the violation; and

(6) any other matter that justice may require.

(c) Certified capital companies assessed penalties under this Subchapter may request a redetermination as provided in Chapter 111, Tax Code.

(d) The attorney general may sue to collect the penalty.

(e) A proceeding to impose the penalty is considered to be a contested case under Chapter 2001, Government Code.

Art. 4.63. RECAPTURE AND FORFEITURE OF PREMIUM TAX CREDITS: DECERTIFICATION OF COMPANY. (a) Decertification of a certified capital company may cause the recapture of premium tax credits previously claimed and the forfeiture of future premium tax credits to be claimed by certified investors with respect to the company, as follows:

(1) decertification of a company on or before the third anniversary of its certification date causes the recapture of any premium tax credit previously claimed and the forfeiture of any future premium tax credit to be claimed by a certified investor with respect to the company;

(2) for a company that meets the requirements for continued certification under Article 4.56(a)(1) of this code and subsequently fails to meet the requirements for continued certification under Article 4.56(a)(2) of this code, any premium tax credit that has been or will be taken by a certified investor on or before the third anniversary of the certification date is not subject to recapture or forfeiture, but any premium tax credit that has been or will be taken by a certified investor after the third anniversary of the certification date of the company is subject to recapture or forfeiture;

(3) for a company that has met the requirements for continued certification under Articles 4.56(a)(1) and (2) of this code and is subsequently decertified, any premium tax credit that has been or will be taken by a certified investor on or before the fifth anniversary of the certification date is not subject to recapture or forfeiture, but any premium tax credit to be taken after the fifth anniversary of the certification date is subject to forfeiture only if the company is decertified on or before the fifth anniversary of its certification date; and

(4) for a company that has invested an amount cumulatively equal to 100 percent of its certified capital in qualified investments, any premium tax credit claimed or to be claimed by a certified investor is not subject to recapture or forfeiture under this article.

(b) The comptroller shall send written notice to the address of each certified investor whose premium tax credit is subject to recapture or forfeiture, using the address shown on the last premium tax filing.

Art. 4.64. RECAPTURE AND FORFEITURE OF PREMIUM TAX CREDITS: QUALIFIED BUSINESS LEAVES STATE. (a) The comptroller shall adopt rules under which premium tax credits previously claimed by certified investors are subject to recapture and future premium tax credits to be claimed by certified investors are subject to forfeiture with respect to an investment made by a certified capital company in a qualified business if the qualified business fails to maintain its principal business operations in this state as required by the rules.

(b) The rules adopted by the comptroller must specify the manner in which the recapture and forfeiture of premium tax credits under this article may be apportioned among certified investors in a certified capital company.

(c) The comptroller shall send written notice to the address of each certified investor whose premium tax credit is subject to recapture or forfeiture, using the address shown on the last premium tax filing.

Art. 4.65. INDEMNITY AGREEMENTS AND INSURANCE AUTHORIZED. A certified capital company may agree to indemnify, or purchase insurance for the benefit of, a certified investor for losses resulting from the recapture or forfeiture of premium tax credits

under Article 4.63 or 4.64 of this code.

Art. 4.66. PREMIUM TAX CREDIT. (a) A certified investor who makes an investment of certified capital shall in the year of investment earn a vested credit against state premium tax liability equal to 100 percent of the certified investor's investment of certified capital, subject to the limits imposed by this subchapter. A certified investor may take up to 10 percent of the vested premium tax credit in any taxable year of the certified investor.

(b) The credit to be applied against state premium tax liability in any one year may not exceed the state premium tax liability of the certified investor for the taxable year. Any unused credit against state premium tax liability may be carried forward indefinitely until the premium tax credits are used.

(c) A certified investor claiming a credit against state premium tax liability earned through an investment in a company is not required to pay any additional retaliatory tax levied under Article 21.46 of this code as a result of claiming that credit. An investment made under this subchapter is a "Texas investment" for purposes of Subchapter A of this chapter and Article 9.59 of this code.

Art. 4.67. PREMIUM TAX CREDIT ALLOCATION CLAIM FORM. (a) A premium tax credit allocation claim must be prepared and executed by a certified investor on a form provided by the comptroller. The certified capital company must file the claim with the comptroller not later than August 17, 2000. The premium tax credit allocation claim form must include an affidavit of the certified investor under which the certified investor becomes legally bound and irrevocably committed to make an investment of certified capital in a certified capital company in the amount allocated even if the amount allocated is less than the amount of the claim, subject only to the receipt of an allocation under Article 4.69 of this code.

(b) A certified investor may not claim a premium tax credit under Article 4.66 of this code for an investment that has not been funded, even if the certified investor has committed to fund the investment.

Art. 4.68. TOTAL LIMIT ON CREDITS. (a) The total amount of certified capital for which premium tax credits may be allowed under this subchapter for all years in which premium tax credits are allowed is $100 million.

(b) The total amount of certified capital for which premium tax credits may be allowed for all certified investors under this subchapter may not exceed the amount that would entitle all certified investors in certified capital companies to take total credits of $10 million in a year.

(c) A certified capital company and its affiliates may not file premium tax credit allocation claims in excess of the maximum amount of certified capital for which premium tax credits may be allowed as provided in this article.

Art. 4.69. PRO RATA ALLOCATION OF CREDITS. (a) This article applies only if the total premium tax credits claimed by all certified investors exceeds the total limits on premium tax credits established by Article 4.68(a) of this code.

(b) The comptroller shall allocate the total amount of premium tax credits allowed under this subchapter to certified investors in certified capital companies on a pro rata basis in accordance with this article.

(c) The pro rata allocation for each certified investor shall be the product of:

(1) a fraction, the numerator of which is the amount of the premium tax credit allocation claim filed on behalf of the investor and the denominator of which is the total amount of all premium tax credit allocation claims filed on behalf of all certified investors; and

(2) the total amount of certified capital for which premium tax credits may be allowed under this subchapter.

(d) If, as a result of the pro rata allocation of premium

tax credits under Subsection (c) of this article, certified investors in any certified capital company that submitted premium tax credit allocation claims would not be allocated at least $7.5 million in premium tax credits for all years for which credits are allowed, the comptroller:

(1) may not make any allocation to the certified investors of the certified capital company that would receive the lowest pro rata allocation and that company may not continue to operate as a certified capital company and that company's certification under this subchapter terminates;

(2) shall continue to apply the allocation formula established under Subsection (c) of this article, without considering the premium tax credit allocation claims filed on behalf of the certified investors in the company that was denied an allocation under Subdivision (1) of this subsection; and

(3) shall continue application of the allocation formula, as provided by this subsection, until the allocation process results in the allocation of at least $7.5 million in premium tax credits to the certified investors of each company receiving an allocation under this article.

(e) Not later than September 15, 2000, the comptroller shall notify each certified capital company of the amount of tax credits allocated to each certified investor. Each certified capital company shall notify each certified investor of their premium tax credit allocation.

(f) If a certified capital company does not receive an investment of certified capital equaling the amount of premium tax credits allocated to a certified investor for which it filed a premium tax credit allocation claim before the end of the 10th business day after the date of receipt of notice of allocation, the company shall notify the comptroller by overnight common carrier delivery service and that portion of capital allocated to the certified investor shall be forfeited. The comptroller shall reallocate the forfeited capital among the certified investors in the other certified capital companies that originally received an allocation so that the result after reallocation is the same as if the initial allocation under this article had been performed without considering the premium tax credit allocation claims that were subsequently forfeited.

(g) The maximum amount of certified capital for which a premium tax credit allocation may be allowed on behalf of any one certified investor and its affiliates, whether by one or more certified capital companies, may not exceed $2 million a year.

Art. 4.70. TREATMENT OF CREDITS AND CAPITAL. In any case under this code or another insurance law of this state in which the assets of a certified investor are examined or considered, the certified capital may be treated as an admitted asset, subject to the applicable statutory valuation procedures.

Art 4.71. IMPACT OF TAX CREDITS CLAIMED BY A CERTIFIED INVESTOR ON INSURANCE RATES. A certified investor is not required to reduce the amount of premium tax included by the investor in connection with ratemaking for any insurance contract written in this state because of a reduction in the investor's Texas premium tax derived from the credit granted under this subchapter.

Art. 4.72. TRANSFERABILITY OF CREDIT. (a) A certified investor may transfer or assign premium tax credits to:

(1) an affiliate of the certified investor;

(2) another entity that may be a certified investor, if a merger, acquisition, or total assumption of reinsurance among or between the entities occurs; or

(3) another entity, in connection with a rehabilitation or receivership process, if the comptroller, after consultation with the commissioner, by order approves the transfer or assignment.

(b) The comptroller shall adopt rules to facilitate the transfer or assignment of premium tax credits. A certified investor may transfer or assign premium tax credits only in

compliance with the rules adopted under this subsection.

(c) The transfer or assignment of a premium tax credit does not affect the schedule for taking the premium tax credit under this subchapter.

Art. 4.73. PROMOTION. The Texas Department of Economic Development shall promote the program established under this subchapter in the Texas Business and Community Economic Development Clearinghouse.

Art. 4.74. REPORT TO LEGISLATURE. (a) The comptroller shall prepare a biennial report with respect to results of the implementation of this subchapter. The report must include:

(1) the number of certified capital companies holding certified capital;

(2) the amount of certified capital invested in each certified capital company;

(3) the amount of certified capital the certified capital company has invested in qualified businesses as of January 1, 2002, and the cumulative total for each subsequent year;

(4) the total amount of tax credits granted under this subchapter for each year that credits have been granted;

(5) the performance of each certified capital company with respect to renewal and reporting requirements imposed under this subchapter;

(6) with respect to the qualified businesses in which certified capital companies have invested:

(A) the classification of the qualified businesses according to the industrial sector and the size of the business;

(B) the total number of jobs created by the investment and the average wages paid for the jobs; and

(C) the total number of jobs retained as a result of the investment and the average wages paid for the jobs; and

(7) the certified capital companies that have been decertified or that have failed to renew the certification and the reason for any decertification.

(b) The comptroller shall file the report with the governor, the lieutenant governor, and the speaker of the house of representatives not later than December 15 of each even-numbered year.

SECTION 2. Section 6, Article 5.131, Insurance Code, is amended to read as follows:

Sec. 6. DURATION OF REDUCTION. Unless the commissioner grants relief under Section 4 or 5 of this article, each rate resulting from the reduction required under Section 3 of this article remains in effect until January 1, 2003 [~~2001~~].

SECTION 3. Articles 4.01 through 4.08, 4.10, 4.11, 4.11A, 4.11B, 4.11C, 4.12, and 4.17, 4.18, and 4.19, Insurance Code, are redesignated as Subchapter A, Chapter 4, Insurance Code, and a subchapter heading is added to read as follows:

SUBCHAPTER A. IMPOSITION AND COLLECTION OF TAXES AND FEES

SECTION 4. (a) Not later than the 60th day after the effective date of this Act, the comptroller of public accounts of the State of Texas shall adopt rules necessary to implement Subchapter B, Chapter 4, Insurance Code, as added by this Act. The comptroller of public accounts shall begin accepting applications for certification as a certified capital company under that subchapter on the 90th day after the effective date of this Act.

(b) A certified investor may not make an investment with a certified capital company under Subchapter B, Chapter 4, Insurance Code, as added by this Act, before January 1, 2001.

SECTION 5. This Act does not take effect unless the legislature appropriates money specifically for the purpose of administering this Act.

SECTION 6. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the

constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.