Life Insurance and Annuities:  
Important Disclosures for D.A. Davidson & Co. Clients

The following is important information regarding life insurance and annuities, including information about 
the compensation that D.A. Davidson & Co. (“D.A. Davidson”) and our financial professionals (together, “we,” 
“us” or “our”) receive for selling life insurance and annuities, and the conflicts of interest those payments create.

If you have any questions about any of the topics discussed below, or purchasing life insurance or 
annuities generally, we encourage you to reach out to your D.A. Davidson financial professional.

Your D.A. Davidson financial professional might recommend that you purchase one or more types of life 
insurance or annuity. As a firm, D.A. Davidson receives a commission from the issuing insurance company 
when an annuity contract or life insurance policy is purchased by a client through one of our financial 
professionals. A percentage of the commissions that D.A. Davidson receives are paid by D.A. Davidson to your 
financial professional (with respect to the life insurance policies and annuities purchased by his or her clients), 
according to his or her “production” and our commission grid.

Generally, our financial professionals can choose from among different commission structure options 
as set forth in the contract between D.A. Davidson and the insurance company. The different options might 
include:

- A one-time commission based on the purchase amount;
- A reduced one-time commission, plus an asset-based “trail” commission paid quarterly for a 
  number of years (as long as you continue to hold the policy or annuity); or
- A further reduced one-time commission and higher asset-based trail paid quarterly for a number 
  of years (again, as long as you continue to hold the policy or annuity).

The commission option chosen by the financial professional normally has no impact on the expense 
of the product purchased and, in no event, results in a direct charge to the client as a deduction in the 
premium payment. However, there are a number of fees and costs that will (or might) be charged to you —  
directly or indirectly —  in connection with insurance policies or annuities. In all cases, you will pay 
premiums to the insurance company. Additional charges often apply as well, which vary significantly 
depending on the type of product, and the specific product, you purchase. Just for example, life insurance 
policies that have a “cash value” (see below) and annuity contracts typically impose surrender charges if 
you cancel your coverage or withdraw your money before timeframes. You will also pay additional fees if 
you select riders or other optional features. It is very important that you review the insurance or annuity 
contract (and prospectus, if applicable) carefully.

In all cases, insurance policies and annuities are contracts between you and an insurance company. 
The financial strength of the insurance company that issues the contract backs its obligations to you. Thus, all 
insurance policies and annuities carry some risk of loss —  if the insurance company experiences financial 
distress, it may not be able to meet its obligations to you. In addition to this “insurance company risk,” other 
insurance policies and annuities can have other risk factors that vary from product to product.

**Annuities.** With an annuity, you pay the insurer either a single payment or series of payments, and in 
return, the insurer agrees to make certain periodic payments to you. In some cases, your payments might begin 
immediately, but the majority of annuities that we sell to clients are “deferred,” meaning the payment stream 
begins later. There are three general types:
Fixed annuities are the simplest type. The insurer agrees that, during the accumulation phase, your “account” (funded with your premium payments) will appreciate at a minimum specified rate of interest, and the periodic payments you receive will be a specified amount per dollar in your account. In other words, the amount of the payments you will receive does not depend on the performance of investments or an investment index. The stream of payments you receive may continue for a certain period (for example, 20 years), or in other cases may continue for your life, or the joint lives of you and your spouse.

Fixed annuities are not securities — they are regulated by state insurance regulators and not by the SEC.

The sales commissions D.A. Davidson receives for selling fixed annuities (as a percentage of premium payments) range from 1.5% to 6.5% depending on contract period. Again, a percentage of the commissions that D.A. Davidson receives are paid by D.A. Davidson to your financial professional (with respect to the fixed annuities purchased by his or her clients), according to his or her “production” and our commission grid.

Indexed annuities differ in that, during the accumulation phase, the insurer credits you with a return which is based on the performance of an investment index (often an equity index, such as the S&P 500), typically subject to a certain minimum (regardless of index performance). The credited return can often be less than the actual index performance for a number of reasons. Indexed annuities are more complicated than fixed annuities, and in addition to the types of fees and costs summarized above, in some cases it is possible to lose money within an indexed annuity (i.e., due to poor performance of the investment index, and even if the insurance company does not experience financial distress).

Indexed annuities are regulated by state insurance regulators, and a particular indexed annuity may or may not also be regulated by the SEC, depending on whether or not it is categorized as a security. For more information about indexed annuities generally, we encourage you to access the SEC’s educational webpage at sec.gov.

The sales commissions D.A. Davidson receives for selling indexed annuities (as a percentage of premium payments) also range from 3.375% to 5.25% depending on contract period. Again, a percentage of the commissions that D.A. Davidson receives are paid by D.A. Davidson to your financial professional (with respect to the indexed annuities purchased by his or her clients), according to his or her “production” and our commission grid.

Variable annuities are tax-deferred vehicles that can serve as investment accounts, but also have insurance features. During the accumulation phase, the returns credited to you are based upon the actual performance of separate account investment options that are offered under the contract, and which you choose from. Variable annuities are complex products. In addition to the types of fees and costs summarized above, you can lose money in a variable annuity (including, potentially, your investment principal, if the underlying separate account investment options perform poorly), and you will also indirectly pay management and other fees for the investment options you select.

Like variable life insurance, variable annuities are regulated by the states and are also subject to SEC regulation. For more information about variable annuities generally, we encourage you to access the SEC’s educational webpage at sec.gov.

The sales commissions D.A. Davidson receives for selling variable annuities (as a percentage of premium payments) are 5.25% in most cases, and never exceed 5.5%. However, because indexed linked variable annuities are priced differently, the commission we receive usually ranges from 3.0% to 6.0% of total premiums. Again, a percentage of the commissions that D.A. Davidson receives are paid by D.A. Davidson to your financial professional (with respect to the variable annuities purchased by his or her clients), according to his or her “production” and our commission grid.
Life Insurance. There are several types of life insurance policies that our financial professionals might recommend to you. They include:

- Term life
- Whole life
- Universal life
- Universal life with linked long-term care benefits
- Indexed universal life
- Variable universal life

Universal life insurance policies have a cash value that can be withdrawn (or borrowed against) during your life if you wish. The cash value of an indexed universal life policy is adjusted at a rate that is based upon an investment index, similar to an indexed annuity (see below). The cash value of a variable universal life policy is adjusted based upon the actual performance of separate account investment options that are offered under the insurance contract, and which you choose from, similar to a variable annuity (see below). Both these types of universal life insurance are complex products under which you can lose money, and they should be considered very carefully. All insurance policies are regulated by state insurance departments, and variable life policies are also subject to SEC regulation.

In most cases, the sales commissions D.A. Davidson receives for selling insurance policies (expressed as a percentage of first-year premium payments only) range from 85% to 95%, but could be between 50% and 100% in some cases. However, because universal life policies with linked long-term care benefits are priced differently the commission we receive usually ranges from 6.0% to 8.0% of total premiums.

Again, a percentage of the commissions that D.A. Davidson receives are paid by D.A. Davidson to your financial professional (with respect to the life insurance policies purchased by his or her clients), according to his or her “production” and our commission grid.

Education and Marketing Support from Insurance Companies. Certain insurance companies that issue insurance and annuity contracts we sell contribute to or reimburse D.A. Davidson for the cost of educational and marketing events we hold for our clients and financial professionals. At these events, insurance and annuities, and the specific products offered by the insurers, are usually discussed. Insurance companies also pay for travel, meals, entertainment and attendance at conferences, training events and due diligence trips for our financial professionals. This creates an incentive for us to recommend products of insurers who provide higher amounts of reimbursements and other payments over those who pay lower amounts, or none.

These types of expense reimbursements and other payments are subject to an internal approval process at D.A. Davidson, and are not paid directly to our financial professionals. And, unlike insurance commissions, these payments are not tied to specific purchases and sales of insurance policies or annuities. However, we receive more compensation and reimbursements of these types from some insurers than others. Generally, the more of a particular insurer’s insurance policies and annuities we sell, the greater amounts of such payments we are likely to receive. For a list of the insurance companies from whom we receive these types of payments and reimbursements, which is current as of the effective date set forth at the end of this disclosure, please refer to the Exhibit attached as the very last page to our Regulation Best Interest Disclosures, available at dadavidson.com/Disclosures.

All of the payments summarized above (insurance commissions, including trails, and education and marketing support) create conflicts of interest for D.A. Davidson and our financial professionals. To help manage the financial incentive that our financial professionals could have to recommend one insurer’s products over others, within our distribution (sales) arrangements with the various insurers, the differences in commission rates (with respect to specific product types and contract periods) are limited from insurer to insurer. For variable annuities in particular, to help mitigate any conflict our commission rates are usually 5.25%, and never exceed 5.50% (a difference of 0.25%).
However, you should understand that we still receive more compensation for selling certain types of insurance products than others, and for selling insurance products as compared to investment funds or other financial products we offer. Also, we receive higher commissions when you make larger purchases of insurance and annuities (i.e., pay more premiums), and when you elect additional optional riders and other features that increase premiums.

If you have questions about annuities or other insurance products, including about the compensation that D.A. Davidson or your D.A. Davidson financial professional receives from the sale of annuities or other insurance products, please contact your financial professional. Information on a specific insurance policy or annuity (and the insurance company), and its policies regarding the above topics, can be found in the insurance or annuity contract and, if applicable, its prospectus. **We strongly encourage you to read these documents carefully in connection with any insurance or annuity contract purchase you are considering.**

**General information on insurance — both annuities and life insurance — can also be found on the educational websites of the:**

- U.S. Securities and Exchange Commission ([sec.gov](http://sec.gov))
- Financial Industry Regulatory Authority ([finra.org](http://finra.org))
- National Association of Insurance Commissioners ([naic.org](http://naic.org))

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