

ANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

December 31, 2019



FRANKLIN
TEMPLETON

Internet Delivery of Shareholder Reports: Effective January 1, 2021, as permitted by regulations adopted by the SEC, you may not be receiving paper copies of the Fund's annual or semiannual shareholder reports by mail, unless you specifically request them from the insurance company that offers your variable annuity or variable life insurance contract or your financial intermediary. Instead of delivering paper copies of the report, the insurance company may choose to make the reports available on a website, and will notify you by mail each time a shareholder report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

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You may elect to receive all future Fund shareholder reports in paper free of charge from the insurance company. You can inform the insurance company or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by following the instructions provided by the insurance company or by contacting your financial intermediary. Your election to receive reports in paper will apply to all portfolio companies available under your contract with the insurance company.

This notice is not legally a part of the shareholder report.

Franklin Templeton Variable Insurance Products Trust Annual Report

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*Not part of the annual report. Retain for your records.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Important Notes to Performance Information

Performance data is historical and cannot predict or guarantee future results. Principal value and investment return will fluctuate with market conditions, and you may have a gain or loss when you withdraw your money. Inception dates of the funds may have preceded the effective dates of the subaccounts, contracts or their availability in all states.

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity,

indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

Franklin Small Cap Value VIP Fund

This annual report for Franklin Small Cap Value VIP Fund covers the fiscal year ended December 31, 2019.

Class 1 Performance Summary as of December 31, 2019

Average annual total return of Class 1 shares* represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

| Periods ended 12/31/19 | 1-Year | 5-Year | 10-Year |
|-----------------------------|---------|--------|---------|
| Average Annual Total Return | +26.72% | +8.26% | +11.67% |

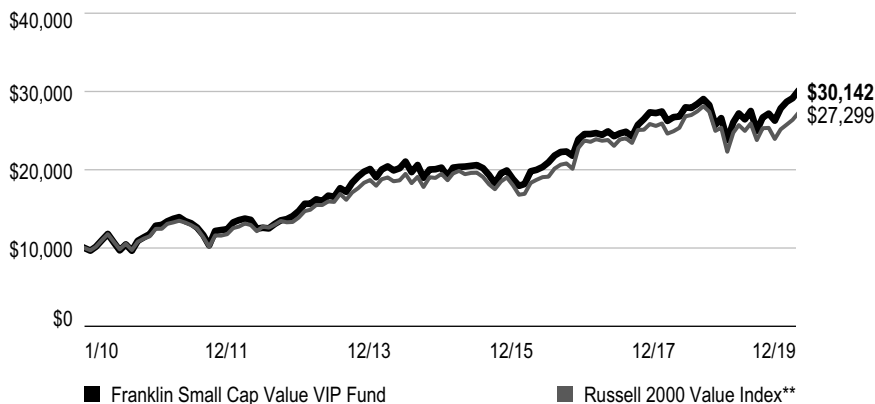
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/20. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*Performance reflects the Fund's Class 1 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/10–12/31/19)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Russell 2000® Value Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



**Source: Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Goal and Main Investments

The Fund seeks long-term total return. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of small capitalization companies. For this Fund, small capitalization companies are those with market capitalizations not exceeding either the highest market capitalization in the Russell 2000® Index or the 12-month average of the highest market capitalization in the Russell 2000® Index, whichever is greater, at the time of purchase. The Fund generally invests in equity securities of companies that the manager believes are undervalued at the time of purchase and have the potential for capital appreciation.

Fund Risks

All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated, or may decline further in value. The Fund's investments in smaller company stocks carry special risks as such stocks have historically exhibited greater price volatility than large-company stocks, particularly over the short term. Additionally, smaller companies often have relatively small revenues, limited product lines and a small market share. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. The Fund also may invest in equity real estate investment trusts (REITs). The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Russell 2000® Value Index posted a +22.39% total return for the same period.¹ Please note the Fund employs a bottom-up stock selection process, and the managers invest in securities without regard to benchmark comparisons.

Economic and Market Overview

U.S. equities, as measured by the Standard & Poor's® 500 Index (S&P 500®), posted strong returns during the reporting period, driven by the U.S. Federal Reserve's (Fed's)

monetary policy easing, solid domestic economic growth and diminished concerns about the global economy and trade relations. Stocks gained sharply early in the year and experienced heightened volatility in May and September before reaching record price highs near the end of 2019. The decline in market volatility reflected many market participants' shift from growth concerns to a more optimistic outlook.

The Fed provided a substantial boost to equity markets early in the reporting period as it shifted to a more accommodative monetary policy. In January 2019, the Fed signaled the end of its tightening cycle and cut the federal funds rate three times thereafter, lowering it to a range of 1.50%–1.75%. Stocks responded positively to the interest-rate cuts and gained further in December 2019 after the Fed indicated it would likely leave interest rates unchanged in 2020.

Solid U.S. economic growth also supported equities, as healthy consumer spending and a strong labor market kept the economy afloat. The unemployment rate fell during the year, reaching 3.5% in September, November and December 2019, the lowest recorded unemployment rate in 50 years.² Wages also grew, albeit at a moderate pace, and inflation remained persistently low. In addition, deficit spending by the U.S. government boosted current growth at the expense of long-term debt. Despite the strength in the consumer sector, some parts of the economy struggled, particularly heavy industry. Annual industrial production contracted late in the reporting period, manufacturing output stalled and capital spending declined.

International and trade developments also impacted U.S. stocks during the period. Investors were concerned about slowing global growth and the impact it might have on U.S. equities, but some market participants' predictions of a global recession did not materialize as growth proved resilient amid a series of interest-rate cuts by many central banks. The trade war between the U.S. and China was a dominant theme over the period, and stocks fluctuated as many investors responded to the latest developments, both positive and negative. However, by period-end, markets were reassured by a phase one trade agreement between the two countries, which lowered certain tariffs and addressed some of the principal areas of conflict.

1. Source: Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

2. Source: Bureau of Labor Statistics.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

Investment Strategy

Our strategy is to invest in small-cap companies that we believe are undervalued at the time of purchase and have the potential for capital appreciation. A stock is undervalued, or is a “value,” when it trades at less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company’s worth. Following this strategy, the Fund invests in companies that the investment manager believes have, for example: stock prices that are low relative to current, or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good long-term earnings prospects; and valuable intangibles not reflected in the stock price. The Fund also may invest in equity real estate investment trusts (REITs).

The Fund may invest up to 25% of its total assets in foreign securities.

Manager’s Discussion

For the fiscal year ended December 31, 2019, some contributors to Fund performance included Versum Materials, Crocs and Coherent.

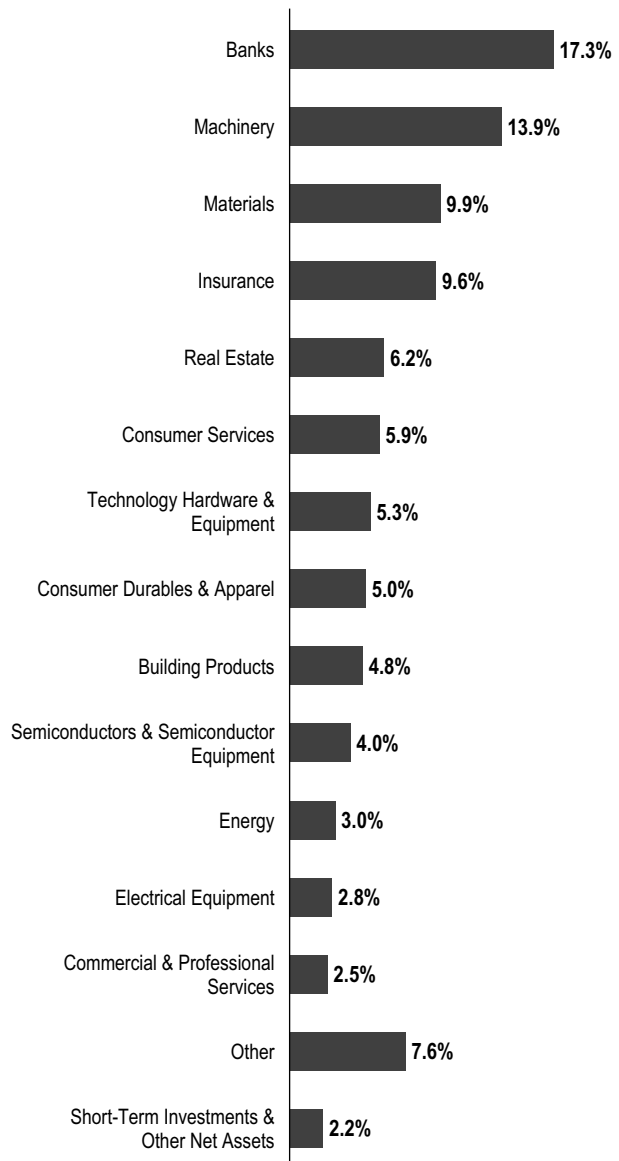
Versum Materials, a specialty materials and equipment company that primarily supplies the semiconductor end market, agreed to be acquired by Merck (not a Fund holding) for \$53 per share. The revised offer was higher than Merck’s initial \$48 bid and substantially higher than Entegris’s (not a Fund holding) competing proposal of approximately \$41 per share. Merck’s offer represented a 68% premium to Versum’s share price on the day prior to the announcement of the Entegris merger proposal. We exited the position at a significant premium to our purchase price.

Crocs, a designer and manufacturer of footwear, posted strong returns as accelerating brand momentum resulted in stronger-than-expected sales and margin expansion. The company’s investment in advertising and partnerships, along with a focus on tight inventory management and cost rationalization, could potentially drive future increases in revenues and earnings. However, we exited the position as it exceeded our price target.

Shares of Coherent, a developer and seller of lasers, laser-based technologies and laser-based system solutions, rose due to an improved 2020 capital expenditure outlook for organic light-emitting diode (OLED) displays. A temporary easing of the trade rhetoric between the U.S. and China was an added contributor. We maintain a position in the company as the introduction of new form factors in display technology (such as foldable OLED displays) and increased use of

Portfolio Composition

Based on Total Net Assets as of 12/31/19



lasers in manufacturing and aerospace and defense could lead to an increase in revenues and earnings.

Detractors from performance included OceanaGold, Caleres and Greenbrier Companies.

Shares of mid-tier gold producer OceanaGold declined meaningfully on concerns about the renewal of its production permit for the Didipio mine in the Philippines, amid pressure from local environmental groups. OceanaGold’s management asserts that the company exceeds all environmental requirements. However, operations have been

Top 10 Holdings

12/31/19

| Company Sector/Industry | % of Total Net Assets |
|---|----------------------------------|
| The Hanover Insurance Group Inc. <i>Insurance</i> | 3.0% |
| Columbia Banking System Inc. <i>Banks</i> | 2.9% |
| Wyndham Hotels and Resorts Inc. <i>Consumer Services</i> | 2.8% |
| Horace Mann Educators Corp. <i>Insurance</i> | 2.8% |
| First Horizon National Corp. <i>Banks</i> | 2.7% |
| Old Republic International Corp. <i>Insurance</i> | 2.7% |
| Eagle Materials Inc. <i>Materials</i> | 2.6% |
| Carter's Inc. <i>Consumer Durables & Apparel</i> | 2.5% |
| Mueller Water Products Inc. <i>Machinery</i> | 2.5% |
| Regal Beloit Corp. <i>Electrical Equipment</i> | 2.5% |

halted while the permit is under review. We reduced our position to reflect the increased level of risk to the long-term outlook.

The shares of footwear retailer and wholesaler Caleres came under pressure due to underperformance in its branded portfolio division, the impact of tariffs on footwear and a challenging promotional environment within its Famous Footwear segment. While we view Caleres' stock as relatively attractive, based on its valuation and modest growth potential, we would like to see a greater emphasis on operational improvements that have the potential to increase earnings.

Shares of Greenbrier Companies, a manufacturer of railroad freight car equipment, declined due to weak economic activity and manufacturing challenges that drove down earnings in early 2019. We believe the company's balance sheet is strong enough to weather a potential slowdown in railcar demand. In our view, the stock was attractively valued on a price-to-book basis at the end of the period.

Thank you for your participation in Franklin Small Cap Value VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Class 1 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract Level: (1) transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes; and (2) ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses. The table below shows Fund-level ongoing expenses and can help you understand these costs and compare them with those of other mutual funds offered through the Contract. The table assumes a \$1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The table below provides information about the actual account values and actual expenses in the columns under the heading “Actual.” In these columns the Fund’s actual return, which includes the effect of ongoing Fund expenses but does not include the effect of ongoing Contract expenses, is used to calculate the “Ending Account Value.” You can estimate the Fund-level expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*). Then multiply the result by the number under the headings “Actual” and “Fund-Level Expenses Paid During Period” (*if Fund-Level Expenses Paid During Period were \$ 7.50, then $8.6 \times \$ 7.50 = \64.50*). In this illustration, the estimated expenses paid this period at the Fund level are \$64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Under the heading “Hypothetical” in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other mutual funds offered through the Contract. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds offered through the Contract.

Please note that expenses shown in the table are meant to highlight ongoing costs at the Fund level only and do not reflect any ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. In addition, while the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

| Share Class | Beginning Account Value 7/1/19 | Actual (actual return after expenses) | | Hypothetical (5% annual return before expenses) | | Net Annualized Expense Ratio ² |
|-------------|--------------------------------|--|--|--|--|---|
| | | Ending Account Value 12/31/19 | Fund-Level Expenses Paid During Period 7/1/19–12/31/19 ^{1, 2} | Ending Account Value 12/31/19 | Fund-Level Expenses Paid During Period 7/1/19–12/31/19 ^{1, 2} | |
| Class 1 | \$1,000 | \$1,130.00 | \$3.60 | \$1,021.83 | \$3.41 | 0.67% |

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include any ongoing expenses of the Contract for which the Fund is an investment option or acquired fund fees and expenses.

**SUPPLEMENT DATED DECEMBER 31, 2019
TO THE PROSPECTUS DATED MAY 1, 2019
OF
FRANKLIN SMALL CAP VALUE VIP FUND
(A series of Franklin Templeton Variable Insurance Products Trust)**

The prospectus is amended as follows:

I. The portfolio management team under the “Fund Summary – Portfolio Managers” section on page FSV-S4 is revised as follows:

Steven B. Raineri *Portfolio Manager of Franklin Mutual and portfolio manager of the Fund since 2012.*

Christopher Meeker, CFA *Portfolio Manager of Franklin Mutual and portfolio manager of the Fund since 2015.*

Nicholas Karzon, CFA *Research Analyst of Franklin Mutual and portfolio manager of the Fund since December 2019.*

II. The portfolio management team under the “Fund Details – Management” section on page FSV-D5 is revised as follows:

The Fund is managed by a team of dedicated professionals focused on investments of small cap value companies. The portfolio managers of the team are as follows:

Steven B. Raineri

Portfolio Manager of Franklin Mutual

Mr. Raineri has been a lead portfolio manager of the Fund since 2012. Mr. Raineri has primary responsibility for the investments of the Fund. He has final authority over all aspects of the Fund’s investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated investment management requirements. The degree to which he may perform these functions, and the nature of these functions, may change from time to time. He joined Franklin Templeton in 2005.

Christopher Meeker, CFA

Portfolio Manager of Franklin Mutual

Mr. Meeker has been a portfolio manager of the Fund since 2015, providing support to the lead portfolio manager as needed. He joined Franklin Templeton in 2012.

Nicholas Karzon, CFA

Research Analyst of Franklin Mutual

Mr. Karzon has been a portfolio manager of the Fund since December 2019, providing support to the lead portfolio manager as needed. He joined Franklin Templeton in 2014.

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Please keep this supplement with your prospectus for future reference.

Financial Highlights

Franklin Small Cap Value VIP Fund

| | Year Ended December 31, | | | | |
|--|-------------------------|----------|--------------------|----------|----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Class 1 | | | | | |
| Per share operating performance | | | | | |
| (for a share outstanding throughout the year) | | | | | |
| Net asset value, beginning of year | \$15.14 | \$20.43 | \$19.93 | \$18.12 | \$22.81 |
| Income from investment operations ^a : | | | | | |
| Net investment income ^b | 0.24 ^c | 0.21 | 0.21 ^d | 0.15 | 0.21 |
| Net realized and unrealized gains (losses) | 3.35 | (2.29) | 1.82 | 4.79 | (1.53) |
| Total from investment operations | 3.59 | (2.08) | 2.03 | 4.94 | (1.32) |
| Less distributions from: | | | | | |
| Net investment income | (0.22) | (0.23) | (0.15) | (0.21) | (0.20) |
| Net realized gains | (2.78) | (2.98) | (1.38) | (2.92) | (3.17) |
| Total distributions | (3.00) | (3.21) | (1.53) | (3.13) | (3.37) |
| Net asset value, end of year | \$15.73 | \$15.14 | \$20.43 | \$19.93 | \$18.12 |
| Total return ^e | 26.72% | (12.69)% | 10.92% | 30.54% | (7.18)% |
| Ratios to average net assets | | | | | |
| Expenses before waiver and payments by affiliates | 0.67% | 0.66% | 0.66% | 0.66% | 0.65% |
| Expenses net of waiver and payments by affiliates ^f | 0.67% ^g | 0.65% | 0.65% | 0.64% | 0.64% |
| Net investment income | 1.58% ^c | 1.13% | 1.06% ^d | 0.84% | 1.04% |
| Supplemental data | | | | | |
| Net assets, end of year (000's) | \$46,980 | \$40,644 | \$51,245 | \$47,831 | \$45,897 |
| Portfolio turnover rate | 54.36% | 47.82% | 33.36% | 34.60% | 27.05% |

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.23%.

^dNet investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.75%.

^eTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

^fBenefit of expense reduction rounds to less than 0.01%.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Small Cap Value VIP Fund (continued)

| | Year Ended December 31, | | | | |
|--|-------------------------|-----------|--------------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Class 2 | | | | | |
| Per share operating performance | | | | | |
| (for a share outstanding throughout the year) | | | | | |
| Net asset value, beginning of year | \$14.60 | \$19.80 | \$19.36 | \$17.68 | \$22.32 |
| Income from investment operations ^a : | | | | | |
| Net investment income ^b | 0.20 ^c | 0.16 | 0.15 ^d | 0.10 | 0.16 |
| Net realized and unrealized gains (losses) | 3.20 | (2.20) | 1.77 | 4.66 | (1.49) |
| Total from investment operations | 3.40 | (2.04) | 1.92 | 4.76 | (1.33) |
| Less distributions from: | | | | | |
| Net investment income | (0.17) | (0.18) | (0.10) | (0.16) | (0.14) |
| Net realized gains | (2.78) | (2.98) | (1.38) | (2.92) | (3.17) |
| Total distributions | (2.95) | (3.16) | (1.48) | (3.08) | (3.31) |
| Net asset value, end of year | \$15.05 | \$14.60 | \$19.80 | \$19.36 | \$17.68 |
| Total return ^e | 26.35% | (12.88)% | 10.65% | 30.19% | (7.39)% |
| Ratios to average net assets | | | | | |
| Expenses before waiver and payments by affiliates | 0.92% | 0.91% | 0.91% | 0.91% | 0.90% |
| Expenses net of waiver and payments by affiliates ^f | 0.92% ^g | 0.90% | 0.90% | 0.89% | 0.89% |
| Net investment income | 1.33% ^c | 0.88% | 0.81% ^d | 0.59% | 0.79% |
| Supplemental data | | | | | |
| Net assets, end of year (000's) | \$1,123,093 | \$978,675 | \$1,302,055 | \$1,366,807 | \$1,172,173 |
| Portfolio turnover rate | 54.36% | 47.82% | 33.36% | 34.60% | 27.05% |

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.98%.

^dNet investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.50%.

^eTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

^fBenefit of expense reduction rounds to less than 0.01%.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Small Cap Value VIP Fund (continued)

| | Year Ended December 31, | | | | |
|--|-------------------------|----------|--------------------|----------|----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Class 4 | | | | | |
| Per share operating performance | | | | | |
| (for a share outstanding throughout the year) | | | | | |
| Net asset value, beginning of year | \$14.96 | \$20.22 | \$19.74 | \$17.96 | \$22.63 |
| Income from investment operations ^a : | | | | | |
| Net investment income ^b | 0.19 ^c | 0.15 | 0.14 ^d | 0.09 | 0.14 |
| Net realized and unrealized gains (losses) | 3.30 | (2.28) | 1.81 | 4.75 | (1.52) |
| Total from investment operations | 3.49 | (2.13) | 1.95 | 4.84 | (1.38) |
| Less distributions from: | | | | | |
| Net investment income | (0.16) | (0.15) | (0.09) | (0.14) | (0.12) |
| Net realized gains | (2.78) | (2.98) | (1.38) | (2.92) | (3.17) |
| Total distributions | (2.94) | (3.13) | (1.47) | (3.06) | (3.29) |
| Net asset value, end of year | \$15.51 | \$14.96 | \$20.22 | \$19.74 | \$17.96 |
| Total return ^e | 26.23% | (13.01)% | 10.56% | 30.12% | (7.52)% |
| Ratios to average net assets | | | | | |
| Expenses before waiver and payments by affiliates | 1.02% | 1.01% | 1.01% | 1.01% | 1.00% |
| Expenses net of waiver and payments by affiliates ^f | 1.02% ^g | 1.00% | 1.00% | 0.99% | 0.99% |
| Net investment income | 1.23% ^c | 0.78% | 0.71% ^d | 0.49% | 0.69% |
| Supplemental data | | | | | |
| Net assets, end of year (000's) | \$29,238 | \$24,592 | \$32,053 | \$32,751 | \$26,128 |
| Portfolio turnover rate | 54.36% | 47.82% | 33.36% | 34.60% | 27.05% |

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.88%.

^dNet investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.40%.

^eTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

^fBenefit of expense reduction rounds to less than 0.01%.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

Statement of Investments, December 31, 2019

Franklin Small Cap Value VIP Fund

| | Shares | Value |
|--|-----------|--------------------|
| Common Stocks 97.6% | | |
| Automobiles & Components 1.3% | | |
| Gentex Corp. | 36,000 | \$ 1,043,280 |
| LCI Industries | 22,770 | 2,439,350 |
| Thor Industries Inc. | 161,800 | 12,020,122 |
| | | <u>15,502,752</u> |
| Banks 17.3% | | |
| Atlantic Union Bankshares Corp. | 183,648 | 6,895,982 |
| Bryn Mawr Bank Corp. | 473,732 | 19,536,708 |
| CenterState Bank Corp. | 590,300 | 14,745,694 |
| Columbia Banking System Inc. | 851,300 | 34,635,141 |
| First Horizon National Corp. | 1,971,637 | 32,650,309 |
| First of Long Island Corp. | 614,355 | 15,408,023 |
| German American Bancorp Inc. | 183,833 | 6,548,131 |
| Glacier Bancorp Inc. | 209,600 | 9,639,504 |
| Lakeland Financial Corp. | 516,362 | 25,265,593 |
| Peoples Bancorp Inc. | 289,712 | 10,041,418 |
| TCF Financial Corp. | 293,542 | 13,737,766 |
| TrustCo Bank Corp. NY | 782,700 | 6,786,009 |
| Washington Trust Bancorp Inc. | 217,565 | 11,702,821 |
| | | <u>207,593,099</u> |
| Building Products 4.8% | | |
| ^a Gibraltar Industries Inc. | 519,013 | 26,179,016 |
| Insteel Industries Inc. | 390,746 | 8,397,131 |
| Universal Forest Products Inc. | 488,640 | 23,308,128 |
| | | <u>57,884,275</u> |
| Commercial & Professional Services 2.5% | | |
| ^a Huron Consulting Group Inc. | 107,157 | 7,363,829 |
| McGrath RentCorp | 303,168 | 23,204,479 |
| | | <u>30,568,308</u> |
| Consumer Durables & Apparel 5.0% | | |
| Brunswick Corp. | 200,100 | 12,001,998 |
| Carter's Inc. | 276,293 | 30,209,877 |
| Toll Brothers Inc. | 334,805 | 13,228,145 |
| ^a Unifi Inc. | 171,800 | 4,339,668 |
| | | <u>59,779,688</u> |
| Consumer Services 5.9% | | |
| Brinker International Inc. | 412,040 | 17,305,680 |
| Jack in the Box Inc. | 241,700 | 18,859,851 |
| Wyndham Hotels and Resorts Inc. | 543,100 | 34,112,111 |
| | | <u>70,277,642</u> |
| Diversified Financials 0.7% | | |
| Houlihan Lokey Inc. | 177,100 | 8,654,877 |

Franklin Small Cap Value VIP Fund (continued)

| | Shares | Value |
|--|-----------|--------------------|
| Common Stocks (continued) | | |
| Electrical Equipment 2.8% | | |
| Encore Wire Corp. | 75,262 | \$ 4,320,039 |
| Regal Beloit Corp. | 343,900 | 29,441,279 |
| | | <u>33,761,318</u> |
| Energy 3.0% | | |
| Crescent Point Energy Corp. (Canada) | 3,534,800 | 15,760,428 |
| Hunting PLC (United Kingdom) | 3,199,919 | 17,689,966 |
| ^a Natural Gas Services Group Inc. | 173,987 | 2,133,080 |
| | | <u>35,583,474</u> |
| Food & Staples Retailing 0.6% | | |
| ^a BJ's Wholesale Club Holdings Inc. | 332,400 | 7,558,776 |
| Food, Beverage & Tobacco 1.3% | | |
| Glanbia PLC (Ireland) | 284,200 | 3,270,027 |
| Maple Leaf Foods Inc. (Canada) | 606,057 | 12,078,204 |
| | | <u>15,348,231</u> |
| Health Care Equipment & Services 0.6% | | |
| ^a Integer Holdings Corp. | 94,500 | 7,600,635 |
| Insurance 9.6% | | |
| CNO Financial Group Inc. | 159,400 | 2,889,922 |
| The Hanover Insurance Group Inc. | 265,500 | 36,285,885 |
| Horace Mann Educators Corp. | 760,444 | 33,200,985 |
| Old Republic International Corp. | 1,449,500 | 32,425,315 |
| Selective Insurance Group Inc. | 167,300 | 10,906,287 |
| | | <u>115,708,394</u> |
| Machinery 13.7% | | |
| Astec Industries Inc. | 220,765 | 9,272,130 |
| Barnes Group Inc. | 117,100 | 7,255,516 |
| Columbus McKinnon Corp. | 152,931 | 6,121,828 |
| Federal Signal Corp. | 181,451 | 5,851,795 |
| The Greenbrier Cos. Inc. | 227,040 | 7,362,907 |
| Kennametal Inc. | 557,374 | 20,561,527 |
| Mueller Industries Inc. | 266,662 | 8,466,518 |
| Mueller Water Products Inc., A | 2,519,049 | 30,178,207 |
| Oshkosh Corp. | 299,000 | 28,300,350 |
| ^a Rexnord Corp. | 708,800 | 23,121,056 |
| ^a SPX Flow Inc. | 357,680 | 17,479,822 |
| | | <u>163,971,656</u> |
| Materials 9.9% | | |
| Carpenter Technology Corp. | 184,024 | 9,160,714 |
| Eagle Materials Inc. | 336,600 | 30,516,156 |
| Minerals Technologies Inc. | 410,552 | 23,660,112 |
| OceanaGold Corp. (Australia) | 4,344,481 | 8,531,054 |
| PH Glatfelter Co. | 758,294 | 13,876,780 |
| PolyOne Corp. | 393,400 | 14,473,186 |

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Small Cap Value VIP Fund (continued)

| | Shares | Value |
|---|------------------|----------------------|
| Common Stocks (continued) | | |
| Materials (continued) | | |
| Reliance Steel & Aluminum Co. | 151,900 | \$ 18,191,544 |
| | | <u>118,409,546</u> |
| Media & Entertainment 1.1% | | |
| Cinemark Holdings Inc. | 380,300 | 12,873,155 |
| Real Estate 6.2% | | |
| Brandywine Realty Trust | 1,064,700 | 16,769,025 |
| Highwoods Properties Inc. | 478,400 | 23,398,544 |
| Retail Properties of America Inc., A | 1,587,211 | 21,268,627 |
| Sunstone Hotel Investors Inc. | 925,297 | 12,880,134 |
| | | <u>74,316,330</u> |
| Retailing 0.6% | | |
| Caleres Inc. | 280,733 | 6,667,409 |
| Semiconductors & Semiconductor Equipment 4.0% | | |
| ^a Advanced Energy Industries Inc. | 267,532 | 19,048,279 |
| MKS Instruments Inc. | 135,494 | 14,905,695 |
| ^a Synaptics Inc. | 220,781 | 14,520,766 |
| | | <u>48,474,740</u> |
| Technology Hardware & Equipment 5.3% | | |
| ^a Coherent Inc. | 156,808 | 26,085,011 |
| ^a FARO Technologies Inc. | 12,000 | 604,200 |
| ^a II-VI Inc. | 361,000 | 12,154,870 |
| ^a Plexus Corp. | 328,000 | 25,236,320 |
| | | <u>64,080,401</u> |
| Transportation 0.1% | | |
| Heartland Express Inc. | 30,600 | 644,130 |
| Utilities 1.3% | | |
| Black Hills Corp. | 91,600 | 7,194,264 |
| IDACORP Inc. | 50,389 | 5,381,545 |
| Spire Inc. | 39,355 | 3,278,665 |
| | | <u>15,854,474</u> |
| Total Common Stocks (Cost \$967,253,354) | | <u>1,171,113,310</u> |
| | Principal | |
| | Amount | |
| Corporate Bonds (Cost \$2,378,000) 0.2% | | |
| Machinery 0.2% | | |
| Mueller Industries Inc., sub. bond, 6.00%, 3/01/27 | \$ 2,378,000 | 2,441,249 |
| Total Investments before Short Term Investments (Cost \$969,631,354) | | <u>1,173,554,559</u> |

Franklin Small Cap Value VIP Fund (continued)

| | Shares | Value |
|--|------------|------------------------|
| Short Term Investments (Cost \$24,977,897) 2.1% | | |
| Money Market Funds 2.1% | | |
| ^{b,c} Institutional Fiduciary Trust Money Market Portfolio, 1.26% | 24,977,897 | \$ 24,977,897 |
| Total Investments (Cost \$994,609,251) 99.9% | | 1,198,532,456 |
| Other Assets, less Liabilities 0.1% | | 778,975 |
| Net Assets 100.0% | | <u>\$1,199,311,431</u> |

^aNon-income producing.

^bSee Note 3(e) regarding investments in affiliated management investment companies.

^cThe rate shown is the annualized seven-day effective yield at period end.

Statement of Assets and Liabilities

December 31, 2019

| | Franklin Small Cap Value VIP Fund |
|--|--|
| Assets: | |
| Investments in securities: | |
| Cost - Unaffiliated issuers | \$ 969,631,354 |
| Cost - Non-controlled affiliates (Note 3e) | 24,977,897 |
| Value - Unaffiliated issuers | \$1,173,554,559 |
| Value - Non-controlled affiliates (Note 3e) | 24,977,897 |
| Receivables: | |
| Investment securities sold | 432,306 |
| Capital shares sold | 691,889 |
| Dividends and interest | 1,672,552 |
| Other assets | 137 |
| Total assets | 1,201,329,340 |
| Liabilities: | |
| Payables: | |
| Investment securities purchased | 288,543 |
| Capital shares redeemed | 579,311 |
| Management fees | 637,606 |
| Distribution fees | 244,709 |
| Reports to shareholders | 205,398 |
| Accrued expenses and other liabilities | 62,342 |
| Total liabilities | 2,017,909 |
| Net assets, at value | \$1,199,311,431 |
| Net assets consist of: | |
| Paid-in capital | \$ 919,933,522 |
| Total distributable earnings (losses) | 279,377,909 |
| Net assets, at value | \$1,199,311,431 |
| Class 1: | |
| Net assets, at value | \$ 46,979,609 |
| Shares outstanding | 2,987,402 |
| Net asset value and maximum offering price per share | \$15.73 |
| Class 2: | |
| Net assets, at value | \$1,123,093,483 |
| Shares outstanding | 74,620,134 |
| Net asset value and maximum offering price per share | \$15.05 |
| Class 4: | |
| Net assets, at value | \$ 29,238,339 |
| Shares outstanding | 1,884,787 |
| Net asset value and maximum offering price per share | \$15.51 |

Statement of Operations

for the year ended December 31, 2019

| | Franklin Small Cap Value VIP Fund |
|--|--|
| Investment income: | |
| Dividends: (net of foreign taxes)* | |
| Unaffiliated issuers | \$ 24,609,000 |
| Non-controlled affiliates (Note 3e) | 527,278 |
| Interest: | |
| Unaffiliated issuers | 427,670 |
| Total investment income | <u>25,563,948</u> |
| Expenses: | |
| Management fees (Note 3a) | 7,295,196 |
| Distribution fees: (Note 3c) | |
| Class 2 | 2,664,003 |
| Class 4 | 94,836 |
| Custodian fees (Note 4) | 16,172 |
| Reports to shareholders | 265,038 |
| Professional fees | 64,649 |
| Trustees' fees and expenses | 6,716 |
| Other | 27,355 |
| Total expenses | 10,433,965 |
| Expense reductions (Note 4) | (333) |
| Expenses waived/paid by affiliates (Note 3e) | (99,612) |
| Net expenses | <u>10,334,020</u> |
| Net investment income | <u>15,229,928</u> |
| Realized and unrealized gains (losses): | |
| Net realized gain (loss) from: | |
| Investments: | |
| Unaffiliated issuers | 61,218,063 |
| Foreign currency transactions | (149,737) |
| Net realized gain (loss) | <u>61,068,326</u> |
| Net change in unrealized appreciation (depreciation) on: | |
| Investments: | |
| Unaffiliated issuers | 187,554,405 |
| Translation of other assets and liabilities denominated in foreign currencies | <u>367</u> |
| Net change in unrealized appreciation (depreciation) | <u>187,554,772</u> |
| Net realized and unrealized gain (loss) | <u>248,623,098</u> |
| Net increase (decrease) in net assets resulting from operations | <u>\$263,853,026</u> |

*Foreign taxes withheld on dividends \$ 92,739

Statements of Changes in Net Assets

| | Franklin Small Cap Value VIP Fund | |
|---|--|-----------------|
| | Year Ended December 31, | |
| | 2019 | 2018 |
| Increase (decrease) in net assets: | | |
| Operations: | | |
| Net investment income | \$ 15,229,928 | \$ 11,431,886 |
| Net realized gain (loss) | 61,068,326 | 192,518,890 |
| Net change in unrealized appreciation (depreciation) | 187,554,772 | (356,985,491) |
| Net increase (decrease) in net assets resulting from operations | 263,853,026 | (153,034,715) |
| Distributions to shareholders: | | |
| Class 1 | (7,896,338) | (7,555,429) |
| Class 2 | (189,976,242) | (194,090,505) |
| Class 4 | (4,683,798) | (4,574,106) |
| Total distributions to shareholders | (202,556,378) | (206,220,040) |
| Capital share transactions: (Note 2) | | |
| Class 1 | 3,898,876 | 2,769,926 |
| Class 2 | 87,139,038 | 14,343,221 |
| Class 4 | 3,066,346 | 698,981 |
| Total capital share transactions | 94,104,260 | 17,812,128 |
| Net increase (decrease) in net assets | 155,400,908 | (341,442,627) |
| Net assets: | | |
| Beginning of year | 1,043,910,523 | 1,385,353,150 |
| End of year | \$1,199,311,431 | \$1,043,910,523 |

Notes to Financial Statements

Franklin Small Cap Value VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Small Cap Value VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued

according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in open-end mutual funds are valued at the closing NAV.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at

Franklin Small Cap Value VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

4 p.m. Eastern time. In order to minimize the potential for these differences, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2019, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

Franklin Small Cap Value VIP Fund (continued)

d. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income and capital gain distributions are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

2. Shares of Beneficial Interest

At December 31, 2019, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

| | Year Ended December 31, | | | |
|--|-------------------------|---------------|--------------|---------------|
| | 2019 | | 2018 | |
| | Shares | Amount | Shares | Amount |
| Class 1 Shares: | | | | |
| Shares sold | 262,210 | \$ 4,085,267 | 140,744 | \$ 2,624,857 |
| Shares issued in reinvestment of distributions | 578,063 | 7,896,338 | 419,746 | 7,555,429 |
| Shares redeemed | (537,480) | (8,082,729) | (384,144) | (7,410,360) |
| Net increase (decrease) | 302,793 | \$ 3,898,876 | 176,346 | \$ 2,769,926 |
| Class 2 Shares: | | | | |
| Shares sold | 5,696,678 | \$ 84,262,242 | 3,241,202 | \$ 57,622,650 |
| Shares issued in reinvestment of distributions | 14,513,082 | 189,976,242 | 11,167,463 | 194,090,505 |
| Shares redeemed | (12,637,486) | (187,099,446) | (13,111,818) | (237,369,934) |
| Net increase (decrease) | 7,572,274 | \$ 87,139,038 | 1,296,847 | \$ 14,343,221 |

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

e. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

f. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

Franklin Small Cap Value VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

| | Year Ended December 31, | | | |
|--|-------------------------|--------------|-----------|--------------|
| | 2019 | | 2018 | |
| | Shares | Amount | Shares | Amount |
| Class 4 Shares: | | | | |
| Shares sold | 279,692 | \$ 4,200,102 | 142,312 | \$ 2,499,385 |
| Shares issued in reinvestment of distributions | 346,948 | 4,683,798 | 256,684 | 4,574,106 |
| Shares redeemed | (385,667) | (5,817,554) | (340,602) | (6,374,510) |
| Net increase (decrease) | 240,973 | \$ 3,066,346 | 58,394 | \$ 698,981 |

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

| Subsidiary | Affiliation |
|---|------------------------|
| Franklin Mutual Advisers, LLC (Franklin Mutual) | Investment manager |
| Franklin Templeton Services, LLC (FT Services) | Administrative manager |
| Franklin Templeton Distributors, Inc. (Distributors) | Principal underwriter |
| Franklin Templeton Investor Services, LLC (Investor Services) | Transfer agent |

a. Management Fees

The Fund pays an investment management fee to Franklin Mutual based on the average daily net assets of the Fund as follows:

| Annualized Fee Rate | Net Assets |
|---------------------|---|
| 0.750% | Up to and including \$200 million |
| 0.635% | Over \$200 million, up to and including \$700 million |
| 0.600% | Over \$700 million, up to and including \$1.2 billion |
| 0.575% | Over \$1.2 billion, up to and including \$1.3 billion |
| 0.475% | In excess of \$1.3 billion |

For the year ended December 31, 2019, the gross effective investment management fee rate was 0.642% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Franklin Mutual, FT Services provides administrative services to the Fund. The fee is paid by Franklin Mutual based on the Fund's average daily net assets, and is not an additional expense of the Fund.

Franklin Small Cap Value VIP Fund (continued)

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2019, the Fund held investments in affiliated management investment companies as follows:

| | Value at Beginning of Year | Purchases | Sales | Realized Gain (Loss) | Net Change in Unrealized Appreciation (Depreciation) | Value at End of Year | Number of Shares Held at End of Year | Dividend Income |
|--|----------------------------------|---------------|-----------------|-------------------------|---|----------------------------|---|--------------------|
| Non-Controlled Affiliates | | | | | | | | |
| Institutional Fiduciary Trust Money Market | | | | | | | | |
| Portfolio, 1.26% | \$45,444,842 | \$272,960,890 | \$(293,427,835) | \$ — | \$ — | \$24,977,897 | 24,977,897 | \$527,278 |

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2019, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2019 and 2018, was as follows:

| | 2019 | 2018 |
|--------------------------|----------------------|----------------------|
| Distributions paid from: | | |
| Ordinary income | \$ 23,319,400 | \$ 23,876,649 |
| Long term capital gain | 179,236,978 | 182,343,391 |
| | <u>\$202,556,378</u> | <u>\$206,220,040</u> |

Franklin Small Cap Value VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2019, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

| | |
|--|----------------------|
| Cost of investments | <u>\$998,714,383</u> |
| Unrealized appreciation | \$221,883,900 |
| Unrealized depreciation | <u>(22,065,827)</u> |
| Net unrealized appreciation (depreciation) | <u>\$199,818,073</u> |
| Distributable earnings: | |
| Undistributed ordinary income | \$ 20,694,217 |
| Undistributed long term capital gains | <u>58,865,254</u> |
| Total distributable earnings | <u>\$ 79,559,471</u> |

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2019, aggregated \$598,873,062 and \$671,429,267, respectively.

7. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 7, 2020. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 7, 2020, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 5, 2021, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2019, the Fund did not use the Global Credit Facility.

8. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)

Franklin Small Cap Value VIP Fund (continued)

- Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2019, in valuing the Fund’s assets carried at fair value, is as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|--------------|---------|------------------|
| Assets: | | | | |
| Investments in Securities: ^a | | | | |
| Equity Investments | \$ 1,171,113,310 | \$ — | \$ — | \$ 1,171,113,310 |
| Corporate Bonds | — | 2,441,249 | — | 2,441,249 |
| Short Term Investments | 24,977,897 | — | — | 24,977,897 |
| Total Investments in Securities | \$ 1,196,091,207 | \$ 2,441,249 | \$ — | \$ 1,198,532,456 |

^aFor detailed categories, see the accompanying Statement of Investments.

9. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Small Cap Value VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Small Cap Value VIP Fund (the "Fund") as of December 31, 2019, the related statement of operations for the year ended December 31, 2019, the statement of changes in net assets for each of the two years in the period ended December 31, 2019, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2019 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2019 and the financial highlights for each of the five years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 20, 2020

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

Tax Information (unaudited)

Franklin Small Cap Value VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$179,236,978 as a long term capital gain dividend for the fiscal year ended December 31, 2019.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 90.88% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2019.

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Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions (after the deduction of certain withholding taxes for the NR or Net Return Index). They do not reflect any fees, expenses or sales charges.

For Russell Indexes: Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

See www.franklintempletondatasources.com for additional data provider information.

Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index measures the performance of U.S. Treasury bills that have a remaining maturity of greater than or equal to one month and less than three months.

Bloomberg Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Bloomberg Barclays U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and Standard & Poor's is Ba1/BB+/BB+ or below.

Bloomberg Barclays U.S. Government Index: Intermediate Component is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Bloomberg Barclays U.S. High Yield Very Liquid Index is a component of the U.S. Corporate High Yield Index designed to track a more liquid component of the U.S. dollar-denominated, high-yield fixed-rate corporate bond market.

Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with at least one year until final maturity.

Consumer Price Index (CPI) is a commonly used measure of the inflation rate.

FTSE® EPRA®/NAREIT® Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

FTSE World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond markets.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/19, there were 324 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government

Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/19, there were 26 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

MSCI All Country Asia Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in developed and emerging markets in Asia.

MSCI All Country World Index (ACWI) is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets.

MSCI All Country World Index (ACWI) ex USA Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets, excluding the U.S.

MSCI Europe, Australasia, Far East (EAFE) Index is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

MSCI Emerging Markets (EM) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI USA High Dividend Yield Index is based on the MSCI USA Index, its parent index, and includes large- and mid-capitalization stocks. The index is designed to reflect the performance of equities in the parent index (excluding real estate investment trusts) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Index is market capitalization weighted and measures performance of the approximately 1,000 largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 2000® Index is market capitalization weighted and measures performance of the approximately 2,000 smallest companies in the Russell 3000® Index, which represent a small amount of the total market capitalization of the Russell 3000® Index.

Russell 2000® Value Index is market capitalization weighted and measures performance of those Russell 2000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.

Russell 3000® Growth Index is market capitalization weighted and measures performance of those Russell 3000® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

Russell Midcap® Growth Index is market capitalization weighted and measures performance of those Russell Midcap® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represents a modest amount of the Russell 1000® Index's total market capitalization.

Standard & Poor's® 500 Index (S&P 500®) is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

Standard & Poor's®/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

| Name, Year of Birth and Address | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|---|--------------------------|--|--|---|
| Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1988 | 134 | Bar-S Foods (meat packing company) (1981-2010). |
| Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998). | | | | |
| Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2017 | 113 | Hess Corporation (exploration of oil and gas) (2014-present). |
| Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the Board of Trustees of the Economic Club of New York (2013-present); member of the Board of Trustees of the Foreign Policy Association (2005-present) and member of various other boards of trustees and advisory boards; and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014). | | | | |
| Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2014 | 134 | Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present) |
| Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987). | | | | |
| Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906 | Lead Independent Trustee | Trustee since 2005 and Lead Independent Trustee since March 2019 | 134 | Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013). |
| Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and formerly , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison—United States Treasury Department (1988-1989). | | | | |

Independent Board Members (continued)

| Name, Year of Birth and Address | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|---|----------|-----------------------|--|---|
| J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2009 | 134 | Boeing Capital Corporation (aircraft financing) (2006-2013). |
| Principal Occupation During at Least the Past 5 Years: Executive Vice President, Counselor and Senior Advisor to Boeing Chairman and Board of Directors, The Boeing Company (aerospace company) (2019-present); member of the Executive Council, The Boeing Company (2006-present) and formerly , General Counsel, The Boeing Company (2006-2019) and Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006). | | | | |
| Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2007 | 134 | The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012). |
| Principal Occupation During at Least the Past 5 Years: Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and formerly , Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003). | | | | |

Interested Board Members and Officers

| Name, Year of Birth and Address | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|---|------------------------------------|--|--|---|
| **Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2013 | 146 | None |
| Principal Occupation During at Least the Past 5 Years: Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and formerly , President, Franklin Resources, Inc. (1994-2015). | | | | |
| **Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906 | Chairman of the Board, and Trustee | Chairman of the Board since 2013, and Trustee since 1988 | 134 | None |
| Principal Occupation During at Least the Past 5 Years: Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 37 of the investment companies in Franklin Templeton. | | | | |
| Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 2012 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton. | | | | |

Interested Board Members and Officers (continued)

| Name, Year of Birth and Address | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|---|--|--|--|---|
| Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906 | Treasurer, Chief Financial Officer and Chief Accounting Officer | Since 2009 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton; and officer of 24 of the investment companies in Franklin Templeton. | | | | |
| Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President and Co-Secretary | Vice President since 2009 and Co-Secretary since 2019 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton. | | | | |
| Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906 | Chief Executive Officer – Finance and Administration | Since 2017 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017). | | | | |
| Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President – AML Compliance | Since 2016 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton. | | | | |
| Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906 | President and Chief Executive Officer – Investment Management | Since 2018 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: President and Director, Franklin Advisers, Inc.; and officer of eight of the investment companies in Franklin Templeton (since December 2018). | | | | |
| Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923 | Chief Compliance Officer | Since 2013 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton; Vice President, Franklin Templeton Companies, LLC; officer of 41 of the investment companies in Franklin Templeton; and formerly , Senior Associate General Counsel, Franklin Templeton (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013). | | | | |
| Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 2015 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton; and officer of 41 of the investment companies in Franklin Templeton. | | | | |

Interested Board Members and Officers (continued)

| Name, Year of Birth and Address | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|--|---------------------------------------|---|--|---|
| Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 2005 | Not Applicable | Not Applicable |
| Principal Occupation During at Least the Past 5 Years: General Counsel, Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton. | | | | |
| Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923 | Vice President and Co-Secretary | Vice President since 2011 and Co-Secretary since January 2019 | Not Applicable | Not Applicable |

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Effective March 12, 2019, John B. Wilson ceased to be a trustee of the Trust.

Note 3: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She currently serves as a director of Avis Budget Group, Inc. (2007-present) and formerly, Founder and Senior Advisor, Strategic Investment Group (1987 to 2017). Ms. Choksi has been a Member of the Fund's Audit Committee since 2014. As a result of such background and experience, the Board believes that Ms. Choksi has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Choksi is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

Shareholder Information

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Variable Product Funds

70100 Ameriprise Financial Center
Minneapolis, MN 55474

PRSR STD
U.S. POSTAGE
PAID
RIVERSOURCE
LIFE INSURANCE
COMPANY

Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



Annual Report
Franklin Templeton Variable Insurance Products Trust

Investment Managers
Franklin Advisers, Inc.
Franklin Mutual Advisers,
LLC
Franklin Templeton
Institutional, LLC
Templeton Asset
Management Ltd.
Templeton Global Advisors
Limited
Templeton Investment
Counsel, LLC

Fund Administrator
Franklin Templeton Services, LLC

Distributor
Franklin Templeton Distributors,
Inc.