SEMIANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2020

FRANKLIN TEMPLETON

<u>Internet Delivery of Shareholder Reports:</u> 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.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company or your financial intermediary electronically by following the instructions provided by the insurance company or by contacting your financial intermediary.

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 Semiannual Report

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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 Mutual Shares VIP Fund

This semiannual report for Franklin Mutual Shares VIP Fund covers the period ended June 30, 2020.

Class 2 Performance Summary as of June 30, 2020

The Fund's Class 2 Shares posted a -21.21% total return for the six-month period ended June 30, 2020.

*Performance reflects the Fund's Class 2 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.

Fund Goal and Main Investments

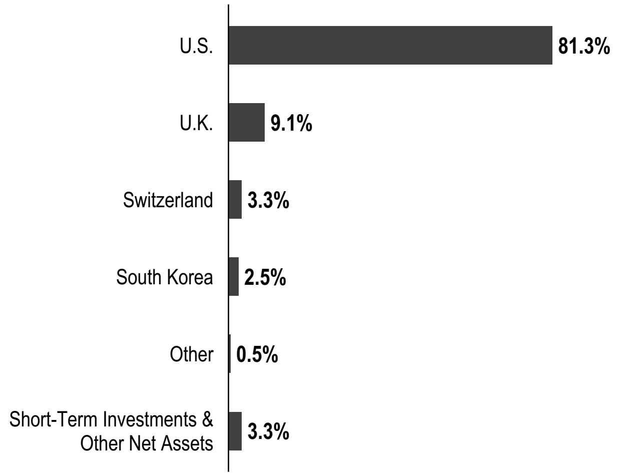
The Fund's principal investment goal is capital appreciation. Its secondary goal is income. Under normal market conditions, the Fund invests primarily in U.S. and foreign equity securities that we believe are available at market prices less than their intrinsic value. The equity securities in which the Fund invests are primarily common stock, with a current focus on companies with market capitalizations greater than $5 billion. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest up to 35% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Value securities may not increase in price as anticipated or may decline further in value. The Fund's investments in foreign securities involve more risks than investing in U.S. securities, including currency exchange rates and policies, country or government specific issues, less favorable trading practices regulation and greater price volatility. Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that exceeds the Fund's initial investment. The Fund may also invest in companies engaged in mergers, reorganizations or liquidations, which involve special risks as pending deals may not be completed on time or on favorable terms, as well as lower-rated bonds, which entail higher credit risk. To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests

Geographic Composition*

Based on Total Net Assets as of 6/30/20



*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

in a wider variety of countries, regions, industries, sectors or investments. 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 six-month total return in the Performance Summary. In comparison, the Fund's benchmark, the Standard & Poor's® 500 Index (S&P 500®) posted a -3.08% total return for the period under review.[1]

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index, posted a -5.99% total return during the six months under review.[1] Stocks fell sharply in early 2020 as countries around the world implemented lockdown measures in an effort to slow the spread of the novel coronavirus (COVID-19). Global supply chain disruptions, business and personal restrictions, and subdued consumer spending drove many investors to sell equity holdings in favor of perceived safe investments such as government bonds and cash. While global equities, notably in the U.S., rebounded in April and May amid optimism about easing lockdown restrictions, concerns about

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.

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).

a second wave of infections hindered equities in June, as investors weighed the possibility of renewed restrictions.

In the U.S., government mandates to mitigate the COVID-19 pandemic severely impacted the economy beginning in March 2020. As a result, the unemployment rate surged to 14.7% in April, as many businesses, particularly those involved in hospitality, retail and travel, announced mass layoffs.[2] According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February 2020 as the country slipped into a severe recession. Nonetheless, near period-end, there were signs that a recovery was underway, as jobless claims fell considerably from their peak in early April, retail sales rose sharply in May, and the unemployment rate fell to 11.1% in June.[2] Along with optimism about improved treatments and potential vaccines for COVID-19, the positive economic signals contributed to a significant equity rebound in April and May. However, an increase in COVID-19 infections in many states throughout June pressured U.S. stocks.

The U.S. Federal Reserve (Fed) made significant efforts to support the U.S. economy. In March 2020, as the pandemic began to severely impact the economy and financial markets, the Fed implemented two emergency rate cuts, lowering the federal funds target rate to a range of 0.00%–0.25%, and announced sweeping quantitative easing measures aimed at ensuring credit flow to borrowers and supporting credit markets with unlimited amounts of bond purchasing.

In the eurozone, some analysts forecasted a significant contraction in 2020, particularly in southern European countries, as the magnitude of the economic disruption caused by the pandemic became apparent. European developed market equities, as measured by the MSCI Europe Index, posted a -12.43% total return for the period.[1] To stimulate growth, the European Central Bank implemented a broad bond-buying program, and many countries passed fiscal stimulus measures.

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index, posted a -5.51% total return during the six-month period.[1] The onset of the pandemic brought dramatically slower economic activity in Asia, as businesses halted operations and manufacturing and export activity declined sharply in the region's major economies. Asian markets generally advanced toward period-end, bolstered by fiscal stimulus measures and economies reopening throughout the region.

Top 10 Sectors/Industries
6/30/20

	% of Total Net Assets
Pharmaceuticals	10.7%
Banks	6.7%
Media	6.2%
Oil, Gas & Consumable Fuels	5.8%
Insurance	5.4%
Technology Hardware, Storage & Peripherals	4.3%
Food Products	4.2%
Software	3.4%
Tobacco	3.3%
Food & Staples Retailing	3.3%

Emerging market stocks, as measured by the MSCI Emerging Markets Index, posted a -9.67% total return due primarily to the COVID-19 pandemic.[1] A sharp decrease in prices for oil and other natural resources also hurt emerging market economies reliant on these exports. In the last quarter of the reporting period, however, investor optimism led to a stock rally, particularly in emerging market countries that had successfully lowered infection rates.

Investment Strategy

At Franklin Mutual Advisors, we are committed to our distinctive value approach to investing. Our major investment strategy is investing in undervalued stocks. When selecting undervalued equities, we are attracted to what we believe are fundamentally strong companies with healthy balance sheets, high-quality assets, substantial free cash flow and shareholder-oriented management teams and whose stocks are trading at discounts to our assessment of the companies' intrinsic or business value. We also look for asset-rich companies whose shares may be trading at depressed levels due to concerns over short-term earnings disappointments, litigation, management strategy or other perceived negatives. While the vast majority of our undervalued equity investments are made in publicly traded companies globally, we may invest occasionally in privately held companies as well. Our portfolio selection process generally includes an assessment of the potential impacts of any material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company.

We complement this more traditional investment strategy with two others. One is distressed investing, which is complex and can take many forms. The most common

2. Source: U.S. Bureau of Labor Statistics.

distressed investment the Fund undertakes is the purchase of financially troubled or bankrupt companies' debt at a substantial discount to face value. After the financially distressed company is reorganized, often in bankruptcy court, the old debt is typically replaced with new securities issued by the financially stronger company.

The other piece of our investment strategy is participating in arbitrage situations, another highly specialized field. When companies announce proposed mergers or takeovers, commonly referred to as "deals," the target company may trade at a discount to the bid it ultimately accepts. One form of arbitrage involves purchasing the target company's stock when it is trading below the value we believe it would receive in a deal. In keeping with our commitment to a relatively conservative investment approach, we typically focus our arbitrage efforts on announced deals, and eschew rumored deals or other situations we consider relatively risky.

In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

Manager's Discussion

The novel coronavirus (COVID-19) pandemic has significantly altered our way of life, although the market indexes would suggest that it is business as usual. Stocks have rallied off the March 23 market bottom and are within range of the pre-pandemic, all-time highs achieved earlier in the year. While the economy has reopened, the recovery is likely to be uneven. The question that we wrestle with daily is what does this scenario mean for equities in general and value stocks in particular?

As markets rose sharply in April, investors moved back into the growth stocks that propelled the market to the all-time highs of January. In late May, however, there was a turn in market sentiment resulting in value briefly outperforming growth. Undervalued stocks often benefit in periods of improving economic activity or stabilization as business prospects improve. Increasing demand across the economy, especially in cyclical sectors, can provide a tailwind for these companies and drive shareholder value. This is a scenario that often occurs off an economic bottom, and we are positioning our portfolios to capitalize on this trend.

The second-quarter earnings reporting season (occurring in July and August) marks the first period with the full impact of the economic lockdowns and will provide a more complete view into the pandemic's impact on corporate statements. Many financial officers withdrew full-year 2020 guidance, as they reported first-quarter results, due to limited revenue visibility. As a result, the path ahead for stocks is less clear. We remain cautious amid these elevated risks.

Our traditional value equity investment approach is complemented with two other strategies: distressed investing and merger arbitrage.

Within our distressed credit strategy, we targeted companies and industries directly impacted by the coronavirus pandemic. The robust government fiscal and monetary intervention have limited the number of attractive options, but we have found opportunities in the energy sector and the retail and travel industries. Although each situation is unique, these securities have strong collateral packages and covenant protections or other features that we believe make them substantially more attractive than the broad array of available distressed debt.

Within merger arbitrage, which involves trading the stocks of companies involved in a merger or acquisition (M&A), activity has slowed significantly since the onset of the pandemic. Deal terms agreed to before the virus emerged have become unbalanced and are now more favorable for sellers than they are for buyers. Not surprisingly, some of these proposals have become embroiled in litigation. Also, M&A activity has slowed as the economic realities of the coronavirus get priced into the market, and bankers are challenged to conduct due diligence remotely. As the period ended, we began to see signs that transactions activity might resume, but we would expect the second half of the year to be focused on resolving pending deals, rather than significant growth in new ones.

Fund Performance

Turning to Fund performance, investments that detracted included U.S.-based companies American International Group (AIG; not held at period-end), Wells Fargo and Citigroup.

Shares of insurer AIG retreated as COVID-19 concerns and a lack of clarity on forward guidance related to expenses and investment income contributed to negative investor sentiment. The stock initially rallied following the company's first-quarter earnings call at which management revealed that the majority of its property policies—which include coverage for business interruption—contained exclusions for losses related to viruses.

The shares of diversified financial services company Wells Fargo were pulled down by negative investor sentiment for financials, which have trailed the broader market rally from the March 23 bottom. Concerns about a possible dividend cut as bank earnings have come under pressure, and speculation about the Fed moving to negative interest rates—subsequently refuted by Fed Chairman Jerome Powell—contributed to the selloff. Earlier in the period, management reported year-end 2019 earnings that fell well short of consensus estimates.

The stocks of a number of U.S. banks, including Citigroup, sold off during the period as concern about the economic effects of COVID-19 and Fed interest-rate cuts led to negative sentiment for financials. The Fed's decision in late June to cap bank dividends and curtail stock buybacks—as part of its stress test review of large banks—also contributed to the bearish outlook. During the period, Citigroup reported a sharp drop in first-quarter profit, although earnings per share was relatively in line with expectations. A year-over-year increase in revenue was driven by strong capital markets revenue but was offset by a significant rise in loan loss provision. Earlier in the period, management reported fourth-quarter 2019 earnings that surpassed consensus forecasts.

During the period under review, Fund investments that contributed positively to performance included U.S.-based companies Eli Lilly, NortonLifeLock and Kraft Heinz.

Shares of pharmaceutical products company Eli Lilly were volatile but climbed during the period. Investor sentiment improved as the market came to the realization that the company's business may not be meaningfully impacted by the disruption caused by the COVID-19 pandemic. First-quarter financial results exceeded consensus sales and earnings expectations, with revenues benefiting from customers stocking up amid COVID-19, which is likely to reverse later in the year. Management raised 2020 guidance for earnings per share and reiterated the outlook for revenue and operating margin. In our view, Eli Lilly has a strong drug pipeline with several important compounds that positions the company well for continued growth over time.

Shares of cybersecurity solutions provider NortonLifeLock outperformed during the period as work-from-home requirements attributable to the COVID-19 pandemic led to increased consumer purchases of the company's cybersecurity subscriptions, generating solid fiscal fourth-quarter earnings that were in line with consensus expectations. NortonLifeLock's stock rallied entering the year and surged after management announced in early January the payment of a one-time, $12 per share cash dividend funded by the 2019 sale of the enterprise security business to Broadcom. Symantec, the precursor to NortonLifeLock, sold the business as part of its transition to a pure-play consumer-focused cybersecurity company, and management subsequently adopted the NortonLifeLock brand.

Top 10 Holdings
6/30/20

Company ***Sector/Industry, Country***	**% of Total Net Assets**
Charter Communications Inc. *Media, U.S.*	2.9%
Medtronic PLC *Health Care Equipment & Supplies, U.S.*	2.8%
Merck & Co. Inc. *Pharmaceuticals, U.S.*	2.6%
Samsung Electronics Co. Ltd. *Technology Hardware, Storage & Peripherals, South Korea*	2.5%
British American Tobacco PLC *Tobacco, U.K.*	2.4%
GlaxoSmithKline PLC *Pharmaceuticals, U.K.*	2.4%
The Kraft Heinz Co. *Food Products, U.S.*	2.3%
Novartis AG *Pharmaceuticals, Switzerland*	2.2%
The Kroger Co. *Food & Staples Retailing, U.S.*	2.2%
Oracle Corp. *Software, U.S.*	2.2%

Investors bid up shares of food products producer Kraft Heinz as surging demand for its products led to better-than-expected sales growth. Management raised its sales guidance in a business update early in the period, and financial results in the subsequent quarterly earnings report exceeded consensus estimates. The company reaffirmed the dividend payment, which also contributed to positive investor sentiment, and several analysts upgraded Kraft Heinz stock.

During the period, the Fund held currency forwards and futures seeking to hedge most of the currency risk of the portfolio's non-U.S. dollar investments. The hedges had a positive overall impact on the Fund's performance.

Thank you for your participation in Franklin Mutual Shares VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2020, 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 2 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 (o*f 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 ÷ $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 x $ 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.

		Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		
Share Class	**Beginning Account Value 1/1/20**	**Ending Account Value 6/30/20**	**Fund-Level Expenses Paid During Period 1/1/20–6/30/20[1, 2]**	**Ending Account Value 6/30/20**	**Fund-Level Expenses Paid During Period 1/1/20–6/30/20[1, 2]**	**Net Annualized Expense Ratio[2]**
Class 2	$1,000	$787.90	$4.40	$1,019.94	$4.97	0.99%

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 182/366 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.

Financial Highlights

Franklin Mutual Shares VIP Fund

	Six Months Ended June 30, 2020 (unaudited)	Year Ended December 31,				
		2019	2018	2017	2016	2015
Class 1						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$19.19	$17.71	$20.71	$20.40	$19.48	$22.91
Income from investment operations[a]:						
Net investment income[b]	0.35[c]	0.46	0.36	0.49	0.50	0.44
Net realized and unrealized gains (losses)	(4.40)	3.39	(2.04)	1.22	2.56	(1.54)
Total from investment operations	(4.05)	3.85	(1.68)	1.71	3.06	(1.10)
Less distributions from:						
Net investment income	—	(0.42)	(0.55)	(0.53)	(0.46)	(0.77)
Net realized gains	—	(1.95)	(0.77)	(0.87)	(1.68)	(1.56)
Total distributions	—	(2.37)	(1.32)	(1.40)	(2.14)	(2.33)
Net asset value, end of period	$15.14	$19.19	$17.71	$20.71	$20.40	$19.48
Total return[d]	(21.10)%	22.92%	(8.86)%	8.64%	16.35%	(4.69)%
Ratios to average net assets[e]						
Expenses[f,g]	0.74%	0.71%	0.71%	0.72%	0.72%	0.73%
Expenses incurred in connection with securities sold short	0.03%	0.02%	0.01%	—%	0.01%	0.02%
Net investment income	4.48%[c]	2.35%	1.77%	2.34%	2.57%	2.00%
Supplemental data						
Net assets, end of period (000's)	$130,207	$158,431	$537,324	$653,700	$610,395	$643,438
Portfolio turnover rate	19.67%	38.50%	24.67%	18.32%	24.45%	19.88%

[a]The 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.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.18 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 2.23%.

[d]Total 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. Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(f).

[g]Benefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

Franklin Mutual Shares VIP Fund (continued)

	Six Months Ended June 30, 2020 (unaudited)	Year Ended December 31,				
		2019	2018	2017	2016	2015
Class 2						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$18.81	$17.40	$20.36	$20.08	$19.20	$22.60
Income from investment operations[a]:						
Net investment income[b]	0.33[c]	0.40	0.31	0.43	0.45	0.38
Net realized and unrealized gains (losses)	(4.32)	3.32	(2.00)	1.20	2.52	(1.51)
Total from investment operations	(3.99)	3.72	(1.69)	1.63	2.97	(1.13)
Less distributions from:						
Net investment income	—	(0.36)	(0.50)	(0.48)	(0.41)	(0.71)
Net realized gains	—	(1.95)	(0.77)	(0.87)	(1.68)	(1.56)
Total distributions	—	(2.31)	(1.27)	(1.35)	(2.09)	(2.27)
Net asset value, end of period	$14.82	$18.81	$17.40	$20.36	$20.08	$19.20
Total return[d]	(21.21)%	22.57%	(9.07)%	8.35%	16.06%	(4.94)%
Ratios to average net assets[e]						
Expenses[f,g]	0.99%	0.96%	0.96%	0.97%	0.97%	0.98%
Expenses incurred in connection with securities sold short	0.03%	0.02%	0.01%	—%	0.01%	0.02%
Net investment income	4.23%[c]	2.10%	1.52%	2.09%	2.32%	1.75%
Supplemental data						
Net assets, end of period (000's)	$2,138,640	$2,931,753	$2,516,834	$3,476,913	$3,621,358	$3,353,505
Portfolio turnover rate	19.67%	38.50%	24.67%	18.32%	24.45%	19.88%

[a]The 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.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.18 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 1.98%.

[d]Total 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. Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(f).

[g]Benefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

Franklin Mutual Shares VIP Fund (continued)

	Six Months Ended June 30, 2020 (unaudited)	Year Ended December 31, 2019	2018	2017	2016	2015
Class 4						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$18.99	$17.55	$20.53	$20.23	$19.32	$22.72
Income from investment operations[a]:						
Net investment income[b]	0.31[c]	0.38	0.29	0.41	0.44	0.36
Net realized and unrealized gains (losses)	(4.34)	3.36	(2.02)	1.21	2.53	(1.52)
Total from investment operations	(4.03)	3.74	(1.73)	1.62	2.97	(1.16)
Less distributions from:						
Net investment income	—	(0.35)	(0.48)	(0.45)	(0.38)	(0.68)
Net realized gains	—	(1.95)	(0.77)	(0.87)	(1.68)	(1.56)
Total distributions	—	(2.30)	(1.25)	(1.32)	(2.06)	(2.24)
Net asset value, end of period	$14.96	$18.99	$17.55	$20.53	$20.23	$19.32
Total return[d]	(21.22)%	22.44%	(9.16)%	8.25%	15.94%	(5.05)%
Ratios to average net assets[e]						
Expenses[f,g]	1.09%	1.06%	1.06%	1.07%	1.07%	1.08%
Expenses incurred in connection with securities sold short	0.03%	0.02%	0.01%	—%	0.01%	0.02%
Net investment income	4.13%[c]	2.00%	1.42%	1.99%	2.22%	1.65%
Supplemental data						
Net assets, end of period (000's)	$101,013	$120,345	$105,047	$122,942	$122,476	$130,978
Portfolio turnover rate	19.67%	38.50%	24.67%	18.32%	24.45%	19.88%

[a]The 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.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.18 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 1.88%.

[d]Total 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. Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(f).

[g]Benefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

Statement of Investments, June 30, 2020 (unaudited)

Franklin Mutual Shares VIP Fund

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests 90.2%			
Aerospace & Defense 2.4%			
BAE Systems PLC	United Kingdom	4,310,599	$ 25,774,011
Huntington Ingalls Industries Inc.	United States	175,130	30,558,434
			56,332,445
Auto Components 0.0%†			
[a,b,c] International Automotive Components Group Brazil LLC	Brazil	1,730,515	32,541
Automobiles 0.6%			
General Motors Co.	United States	514,345	13,012,928
Banks 6.7%			
Bank of America Corp.	United States	1,045,618	24,833,428
Citigroup Inc.	United States	861,639	44,029,753
JPMorgan Chase & Co.	United States	458,954	43,169,214
Synovus Financial Corp.	United States	802,733	16,480,108
Wells Fargo & Co.	United States	1,187,539	30,400,998
			158,913,501
Beverages 0.5%			
Heineken NV	Netherlands	129,934	11,978,122
Building Products 1.3%			
Johnson Controls International PLC	United States	908,430	31,013,800
Capital Markets 1.1%			
Credit Suisse Group AG	Switzerland	2,373,162	24,692,435
Communications Equipment 1.1%			
Cisco Systems Inc.	United States	576,119	26,870,190
Consumer Finance 1.3%			
Capital One Financial Corp.	United States	478,537	29,951,631
Containers & Packaging 1.8%			
International Paper Co.	United States	1,235,477	43,501,145
Diversified Financial Services 2.9%			
[a] Berkshire Hathaway Inc., B	United States	186,373	33,269,444
Voya Financial Inc.	United States	758,210	35,370,497
			68,639,941
Electric Utilities 1.0%			
Pinnacle West Capital Corp.	United States	315,200	23,101,008
Electrical Equipment 1.7%			
[a] Sensata Technologies Holding PLC	United States	1,045,059	38,907,547
Electronic Equipment, Instruments & Components 1.2%			
Corning Inc.	United States	1,133,402	29,355,112
Energy Equipment & Services 1.1%			
Baker Hughes Co., A	United States	663,295	10,208,110
Schlumberger Ltd.	United States	893,500	16,431,465
			26,639,575
Entertainment 2.0%			
The Walt Disney Co.	United States	419,567	46,785,916

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Equity Real Estate Investment Trusts (REITs) 1.1%			
Alexander's Inc.	United States	31,168	$ 7,508,371
Vornado Realty Trust	United States	496,497	18,971,151
			26,479,522
Food & Staples Retailing 3.3%			
The Kroger Co.	United States	1,566,436	53,023,859
Walgreens Boots Alliance Inc.	United States	586,960	24,881,234
			77,905,093
Food Products 4.2%			
Archer-Daniels-Midland Co.	United States	682,506	27,231,989
Conagra Brands Inc.	United States	530,565	18,659,971
The Kraft Heinz Co.	United States	1,704,590	54,359,375
			100,251,335
Health Care Equipment & Supplies 2.8%			
Medtronic PLC	United States	720,205	66,042,798
Health Care Providers & Services 3.2%			
Anthem Inc.	United States	107,617	28,301,119
CVS Health Corp.	United States	723,969	47,036,266
			75,337,385
Household Durables 2.8%			
Lennar Corp., A.	United States	573,137	35,316,702
Newell Brands Inc.	United States	1,923,718	30,548,642
			65,865,344
Household Products 0.9%			
Energizer Holdings Inc.	United States	427,547	20,304,207
Industrial Conglomerates 1.0%			
General Electric Co.	United States	3,340,001	22,812,207
Insurance 5.4%			
Alleghany Corp.	United States	92,702	45,344,256
Everest Re Group Ltd.	United States	122,329	25,224,240
The Hartford Financial Services Group Inc.	United States	904,853	34,882,083
MetLife Inc.	United States	624,803	22,817,806
			128,268,385
IT Services 1.9%			
Cognizant Technology Solutions Corp., A	United States	796,201	45,240,141
Machinery 0.7%			
[a] CNH Industrial NV	United Kingdom	605,230	4,251,730
[a] CNH Industrial NV, special voting	United Kingdom	1,844,814	12,959,787
			17,211,517
Media 6.2%			
[a] Charter Communications Inc., A	United States	136,923	69,836,207
Comcast Corp., A	United States	1,245,578	48,552,630
[a] Discovery Inc., C	United States	1,157,710	22,297,495

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Media (continued)			
[a,d] iHeartMedia Inc., A	United States	717,645	$ 5,992,336
[a,b] iHeartMedia Inc., B	United States	12,783	90,727
			146,769,395
Oil, Gas & Consumable Fuels 5.8%			
BP PLC	United Kingdom	7,407,845	28,378,611
Kinder Morgan Inc.	United States	1,612,768	24,465,690
Marathon Oil Corp.	United States	2,662,301	16,293,282
Royal Dutch Shell PLC, A (EUR Traded)	United Kingdom	450,591	7,375,230
Royal Dutch Shell PLC, A (GBP Traded)	United Kingdom	611,623	9,792,461
The Williams Cos. Inc.	United States	2,738,781	52,091,615
			138,396,889
Pharmaceuticals 10.7%			
[a] Elanco Animal Health Inc.	United States	283,578	6,082,748
Eli Lilly and Co.	United States	317,463	52,121,075
GlaxoSmithKline PLC	United Kingdom	2,773,828	56,028,172
Merck & Co. Inc.	United States	783,295	60,572,202
Novartis AG, ADR	Switzerland	607,663	53,073,287
Perrigo Co. PLC	United States	469,260	25,936,000
			253,813,484
Software 3.4%			
[a] Avaya Holdings Corp.	United States	116	1,434
[a] Avaya Holdings Corp., wts., 12/15/22	United States	91,551	114,439
NortonLifeLock Inc.	United States	1,432,555	28,407,565
Oracle Corp.	United States	954,596	52,760,521
			81,283,959
Specialty Retail 1.2%			
Tiffany & Co.	United States	179,400	21,876,036
[a,b] TRU Kids Parent LLC	United States	2,040	6,571,584
[a,b] Wayne Services Legacy Inc.	United States	2,039	—
			28,447,620
Technology Hardware, Storage & Peripherals 4.3%			
Hewlett Packard Enterprise Co.	United States	1,292,621	12,577,202
Samsung Electronics Co. Ltd.	South Korea	1,321,135	58,640,009
Western Digital Corp.	United States	701,884	30,988,179
			102,205,390
Textiles, Apparel & Luxury Goods 0.7%			
PVH Corp.	United States	363,421	17,462,379
Tobacco 3.3%			
Altria Group Inc.	United States	571,600	22,435,300
British American Tobacco PLC	United Kingdom	1,095,258	42,004,520
British American Tobacco PLC, ADR	United Kingdom	372,933	14,477,259
			78,917,079

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Wireless Telecommunication Services 0.6%			
Vodafone Group PLC	United Kingdom	8,420,931	$ 13,386,708
Total Common Stocks and Other Equity Interests (Cost $1,929,798,525)			2,136,128,674
		Principal Amount	
Corporate Bonds, Notes and Senior Floating Rate Interests 5.8%			
[e] American Airlines Inc., senior secured note, 144A, 11.75%, 7/15/25	United States	$21,072,000	19,855,935
[e] Banff Merger Sub Inc., senior note, 144A, 9.75%, 9/01/26	United States	18,444,000	18,601,881
[e] Boxer Parent Co. Inc., senior secured note, first lien, 144A, 7.125%, 10/02/25	United States	4,027,500	4,237,635
[e] Delta Air Lines Inc., senior note, first lien, 144A, 7.00%, 5/01/25	United States	1,198,000	1,237,916
[e] Frontier Communications Corp., senior secured note, first lien, 144A, 8.00%, 4/01/27	United States	6,148,000	6,250,549
[e] Macy's Inc., senior secured note, first lien, 144A, 8.375%, 6/15/25	United States	4,438,000	4,424,131
[f,g,h] Mileage Plus Holdings LLC, Term Loan B, TBD, 6/25/27	United States	2,866,000	2,849,624
[e,i] Mileage Plus Holdings LLC/Mileage Plus Intellectual Property Assets Ltd., senior secured note, first lien, 144A, 6.50%, 6/20/27	United States	11,070,000	11,125,350
[e] Navistar International Corp., senior secured note, 144A, 9.50%, 5/01/25	United States	4,878,200	5,247,114
Occidental Petroleum Corp.,			
senior note, 4.85%, 3/15/21	United States	917,000	914,134
[h,j] senior note, FRN, 1.842%, (3-month USD LIBOR + 1.45%), 8/15/22	United States	2,933,600	2,700,036
[h] Veritas U.S. Inc., Term Loan B1, 5.50%, (3-month USD LIBOR + 4.50%), 1/27/23	United States	17,234,903	15,985,372
[e] Veritas U.S. Inc./Veritas Bermuda Ltd.,			
senior note, 144A, 7.50%, 2/01/23	United States	2,856,000	2,823,570
senior note, 144A, 10.50%, 2/01/24	United States	23,445,000	21,068,732
[h] Windstream Services LLC,			
PSA Holder Revolving Commitment, 6.25%, (Prime + 3.00%), 2/20/49	United States	26,279,371	16,161,813
PSA Holder Term Loan B6, 8.25%, (Prime + 5.00%), 3/30/21	United States	6,671,000	4,202,730
Total Corporate Bonds, Notes and Senior Floating Rate Interests (Cost $149,686,671)			137,686,522
Corporate Notes in Reorganization 0.7%			
[k] Frontier Communications Corp.,			
senior note, 10.50%, 9/15/22	United States	22,633,000	7,887,940
senior note, 11.00%, 9/15/25	United States	25,535,000	8,910,949
Total Corporate Notes in Reorganization (Cost $44,895,501)			16,798,889
		Shares	
Companies in Liquidation 0.0%†			
[a,b,l] Bosgen Liquidating Trust c/o Verdolino and Lowey P.C., Contingent Distribution	United States	347,093	—
[a,b,l] Tribune Media Co., Litigation Trust, Contingent Distribution	United States	396,923	—
[a,b,l] Vistra Energy Corp., Litigation Trust, Contingent Distribution	United States	90,618,405	49,840

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares	Value
Companies in Liquidation (continued)			
[a,b,l] Walter Energy Inc., Litigation Trust, Contingent Distribution	United States	6,301,000	$ —
Total Companies in Liquidation (Cost $2,834,275)			49,840
Total Investments before Short Term Investments (Cost $2,127,214,972)			2,290,663,925
		Principal Amount	
Short Term Investments 3.5%			
U.S. Government and Agency Securities 3.4%			
[m] FHLB, 7/01/20	United States	$14,300,000	14,300,000
[m] U.S. Treasury Bill,			
7/02/20	United States	40,500,000	40,499,904
[n] 7/16/20 - 11/27/20	United States	27,000,000	26,995,005
Total U.S. Government and Agency Securities (Cost $81,782,086)			81,794,909
Investments from Cash Collateral Received for Loaned Securities 0.1%			
		Shares	
Money Market Funds (Cost $1,077,000) 0.1%			
[o,p] Institutional Fiduciary Trust Money Market Portfolio, 0.00%	United States	1,077,000	1,077,000
		Principal Amount	
Repurchase Agreements (Cost $219,396) 0.0%†			
[q] Joint Repurchase Agreement, 0.07%, 7/01/20 (Maturity Value $219,396) BNP Paribas Securities Corp. Collateralized by U.S. Treasury Bonds, 7.875%, 2/15/21; U.S. Treasury Notes, 0.125% - 2.875%, 12/31/20 - 1/31/24; U.S. Treasury Strips, 8/15/20 - 11/15/22 (Valued at $223,784)	United States	$ 219,396	219,396
Total Investments from Cash Collateral Received for Loaned Securities (Cost $1,296,396)			1,296,396
Total Investments (Cost $2,210,293,454) 100.2%			2,373,755,230
Other Assets, less Liabilities (0.2)%			(3,894,943)
Net Assets 100.0%			$2,369,860,287

Franklin Mutual Shares VIP Fund (continued)

[†]Rounds to less than 0.1% of net assets.

[a]Non-income producing.

[b]Fair valued using significant unobservable inputs. See Note 12 regarding fair value measurements.

[c]See Note 9 regarding restricted securities.

[d]A portion or all of the security is on loan at June 30, 2020. See Note 1(g).

[e]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. At June 30, 2020, the aggregate value of these securities was $94,872,813, representing 4.0% of net assets.

[f]Security purchased on a delayed delivery basis. See Note 1(d).

[g]A portion or all of the security represents an unsettled loan commitment. The coupon rate is to-be determined (TBD) at the time of settlement and will be based upon a reference index/floor plus a spread.

[h]See Note 1(h) regarding senior floating rate interests.

[i]Security purchased on a when-issued basis. See Note 1(d).

[j]The coupon rate shown represents the rate at period end.

[k]See Note 7 regarding credit risk and defaulted securities.

[l]Contingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

[m]The security was issued on a discount basis with no stated coupon rate.

[n]A portion or all of the security has been segregated as collateral for open forward exchange contracts. At June 30, 2020, the aggregate value of these securities pledged amounted to $779,948, representing less than 0.1% of net assets.

[o]See Note 3(e) regarding investments in affiliated management investment companies.

[p]The rate shown is the annualized seven-day effective yield at period end.

[q]See Note 1(c) regarding joint repurchase agreement.

At June 30, 2020, the Fund had the following futures contracts outstanding. See Note 1(e).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Currency Contracts					
EUR/USD	Short	104	$14,629,550	9/14/20	$ 94,640
GBP/USD	Short	498	38,585,663	9/14/20	1,058,539
Total Futures Contracts					$1,153,179

*As of period end.

Franklin Mutual Shares VIP Fund (continued)

At June 30, 2020, the Fund had the following forward exchange contracts outstanding. See Note 1(e).

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Euro	BOFA	Sell	52,781	$ 59,024	7/15/20	$ —	$ (292)
Euro	BONY	Sell	240,119	270,209	7/15/20	360	—
Euro	HSBK	Buy	117,981	132,353	7/15/20	236	—
Euro	HSBK	Sell	975,093	1,087,692	7/15/20	—	(8,134)
Euro	HSBK	Sell	988,764	1,120,263	7/15/20	9,076	—
Euro	SSBT	Buy	368,000	414,326	7/15/20	—	(763)
Euro	SSBT	Sell	251,842	279,091	7/15/20	—	(3,931)
Euro	SSBT	Sell	416,849	469,687	7/15/20	1,227	—
Euro	UBSW	Sell	1,073,915	1,214,198	7/15/20	7,319	—
Euro	UBSW	Sell	10,885,583	11,930,557	7/15/20	—	(302,822)
South Korean Won	HSBK	Buy	4,117,458,251	3,385,044	7/17/20	47,832	—
South Korean Won	HSBK	Sell	2,833,834,575	2,378,935	7/17/20	16,262	—
South Korean Won	HSBK	Sell	52,977,559,922	43,329,740	7/17/20	—	(839,612)
South Korean Won	UBSW	Sell	18,061,991,754	14,769,803	7/17/20	—	(289,148)
British Pound	HSBK	Buy	1,060,036	1,318,112	8/14/20	—	(4,350)
British Pound	UBSW	Sell	21,659,195	27,176,006	8/14/20	332,547	—
Swiss Franc	UBSW	Sell	22,420,635	23,858,592	8/17/20	159,781	—
Total Forward Exchange Contracts						$ 574,640	$ (1,449,052)
Net unrealized appreciation (depreciation)							$ (874,412)

[a]May be comprised of multiple contracts with the same counterparty, currency and settlement date.

See Note 10 regarding other derivative information.

See Abbreviations on page MS-34.

Statement of Assets and Liabilities

June 30, 2020 (unaudited)

	Franklin Mutual Shares VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$2,208,997,058
Cost - Non-controlled affiliates (Note 3e)	1,077,000
Cost - Unaffiliated repurchase agreements	219,396
Value - Unaffiliated issuers+	$2,372,458,834
Value - Non-controlled affiliates (Note 3e)	1,077,000
Value - Unaffiliated repurchase agreements	219,396
Cash	1,082,196
Receivables:	
Investment securities sold	1,873,122
Capital shares sold	2,055,434
Dividends and interest	7,354,382
European Union tax reclaims	1,585,281
Deposits with brokers for:	
Futures contracts	1,681,639
Unrealized appreciation on OTC forward exchange contracts	574,640
Other assets	2,461
Total assets	2,389,964,385
Liabilities:	
Payables:	
Investment securities purchased	13,740,305
Capital shares redeemed	978,819
Management fees	1,340,273
Distribution fees	478,767
Trustees' fees and expenses	1,877
Variation margin on futures contracts	332,388
Payable upon return of securities loaned	1,296,396
Unrealized depreciation on OTC forward exchange contracts	1,449,052
Accrued expenses and other liabilities	486,221
Total liabilities	20,104,098
Net assets, at value	$2,369,860,287
Net assets consist of:	
Paid-in capital	$2,079,928,651
Total distributable earnings (losses)	289,931,636
Net assets, at value	$2,369,860,287

+Includes securities loaned $ 1,228,285

Statement of Assets and Liabilities (continued)

June 30, 2020 (unaudited)

	Franklin Mutual Shares VIP Fund
Class 1:	
Net assets, at value	$ 130,207,182
Shares outstanding	8,600,638
Net asset value and maximum offering price per share	$15.14
Class 2:	
Net assets, at value	$2,138,639,758
Shares outstanding	144,299,487
Net asset value and maximum offering price per share	$14.82
Class 4:	
Net assets, at value	$ 101,013,347
Shares outstanding	6,753,463
Net asset value and maximum offering price per share	$14.96

Statement of Operations

for the six months ended June 30, 2020 (unaudited)

	Franklin Mutual Shares VIP Fund
Investment income:	
Dividends:(net of foreign taxes)*	
Unaffiliated issuers	$ 61,592,792
Interest:	
Unaffiliated issuers	7,480,408
Adjustment for uncollectible interest (Note 7)	(2,537,110)
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	23
Non-controlled affiliates (Note 3e)	3,234
Total investment income	66,539,347
Expenses:	
Management fees (Note 3a)	8,624,596
Distribution fees: (Note 3c)	
Class 2	2,901,106
Class 4	178,823
Custodian fees (Note 4)	22,082
Reports to shareholders	240,415
Professional fees	62,309
Trustees' fees and expenses	9,809
Dividends on securities sold short	389,896
Other	42,199
Total expenses	12,471,235
Expense reductions (Note 4)	(12,520)
Expenses waived/paid by affiliates (Note 3e)	(1,232)
Net expenses	12,457,483
Net investment income	54,081,864
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(74,533,904)
Written options	(262,792)
Realized gain distributions from REITs	866,978
Foreign currency transactions	(168,235)
Forward exchange contracts	2,269,806
Futures contracts	1,796,871
Securities sold short	(1,409,935)
Net realized gain (loss)	(71,441,211)
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(647,502,878)
Translation of other assets and liabilities denominated in foreign currencies	(58,450)
Forward exchange contracts	1,511,444
Futures contracts	1,873,446
Securities sold short	1,972,704

Statement of Operations (continued)

for the six months ended June 30, 2020 (unaudited)

	Franklin Mutual Shares VIP Fund
Net change in unrealized appreciation (depreciation)	$(642,203,734)
Net realized and unrealized gain (loss)	(713,644,945)
Net increase (decrease) in net assets resulting from operations	$(659,563,081)

*Foreign taxes withheld on dividends . . . $ 601,911

Statements of Changes in Net Assets

	Franklin Mutual Shares VIP Fund	
	Six Months Ended June 30, 2020 (unaudited)	**Year Ended December 31, 2019**
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 54,081,864	$ 70,482,893
Net realized gain (loss)	(71,441,211)	95,516,825
Net change in unrealized appreciation (depreciation)	(642,203,734)	497,609,167
Net increase (decrease) in net assets resulting from operations	(659,563,081)	663,608,885
Distributions to shareholders:		
Class 1	—	(35,828,591)
Class 2	—	(330,340,832)
Class 4	—	(13,089,406)
Total distributions to shareholders	—	(379,258,829)
Capital share transactions: (Note 2)		
Class 1	4,852,965	(436,530,771)
Class 2	(190,863,192)	198,182,849
Class 4	4,904,214	5,322,730
Total capital share transactions	(181,106,013)	(233,025,192)
Net increase (decrease) in net assets	(840,669,094)	51,324,864
Net assets:		
Beginning of period	3,210,529,381	3,159,204,517
End of period	$2,369,860,287	$3,210,529,381

Notes to Financial Statements (unaudited)

Franklin Mutual Shares 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 Mutual Shares 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 and derivative financial instruments 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. Investments in repurchase agreements are valued at cost, which approximates fair value.

Certain derivative financial instruments trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

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.

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

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. Events can 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 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At June 30, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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. Repurchase Agreements

The Fund enters into repurchase agreements, which are accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the Fund, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. All repurchase agreements held by the Fund at period end, as indicated in the Statement of Investments, had been entered into on June 30, 2020.

Franklin Mutual Shares VIP Fund (continued)

d. Securities Purchased on a When-Issued or Delayed Delivery Basis

The Fund purchases securities on a when-issued or delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

e. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At June 30, 2020, the Fund had OTC derivatives in a net liability position of $874,772 and the aggregate value of collateral pledged for such contracts was $779,948.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from $100,000 to $250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

The Fund entered into exchange traded futures contracts primarily to manage exposure to certain foreign currencies. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities.

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

e. Derivative Financial Instruments (continued)

The Fund entered into OTC forward exchange contracts primarily to manage exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

The Fund purchased or wrote exchange traded option contracts primarily to manage and/or gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss. The Fund did not hold any option contracts at period end.

See Note 10 regarding other derivative information.

f. Securities Sold Short

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund. At June 30, 2020, the Fund had no securities sold short.

g. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund and a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

h. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced its intention to cease sustaining LIBOR

Franklin Mutual Shares VIP Fund (continued)

after 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the Fund's investments that use or may use a floating rate based on LIBOR cannot yet be determined.

i. 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.

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund must either amend historic tax reporting to shareholders or enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

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 June 30, 2020, 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.

j. 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 dividends declared on securities sold short 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.

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.

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

k. 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.

l. 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.

2. Shares of Beneficial Interest

At June 30, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2020		Year Ended December 31, 2019	
	Shares	**Amount**	**Shares**	**Amount**
Class 1 Shares:				
Shares sold	641,139	$ 9,529,737	765,653	$ 14,772,259
Shares issued in reinvestment of distributions	—	—	2,031,099	35,828,591
Shares redeemed	(297,471)	(4,676,772)	(24,880,289)	(487,131,621)
Net increase (decrease)	343,668	$ 4,852,965	(22,083,537)	$(436,530,771)
Class 2 Shares:				
Shares sold	9,774,365	$ 135,425,822	29,854,091	$ 583,466,693
Shares issued in reinvestment of distributions	—	—	19,094,846	330,340,832
Shares redeemed	(21,356,959)	(326,289,014)	(37,705,675)	(715,624,676)
Net increase (decrease)	(11,582,594)	$(190,863,192)	11,243,262	$ 198,182,849
Class 4 Shares:				
Shares sold	893,404	$ 12,663,468	625,179	$ 11,842,479
Shares issued in reinvestment of distributions	—	—	749,250	13,089,406
Shares redeemed	(477,331)	(7,759,254)	(1,022,438)	(19,609,155)
Net increase (decrease)	416,073	$ 4,904,214	351,991	$ 5,322,730

Franklin Mutual Shares VIP Fund (continued)

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
0.675%	Up to and including $5 billion
0.645%	Over $5 billion, up to and including $10 billion
0.625%	Over $10 billion, up to and including $15 billion
0.595%	Over $15 billion, up to and including $20 billion
0.585%	Over $20 billion, up to and including $25 billion
0.565%	Over $25 billion, up to and including $30 billion
0.555%	Over $30 billion, up to and including $35 billion
0.545%	In excess of $35 billion

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.

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.

Franklin Mutual Shares VIP Fund (continued)

3. Transactions with Affiliates (continued)

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 period ended June 30, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Income from securities loaned
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 0.00%	$ —	$19,467,000	$(18,390,000)	$ —	$ —	$1,077,000	1,077,000	$3,234

f. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the period ended June 30, 2020, these purchase and sale transactions aggregated $0 and $1,702,055, respectively.

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 period ended June 30, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

At June 30, 2020, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$2,238,998,309
Unrealized appreciation	$ 441,530,157
Unrealized depreciation	(306,492,983)
Net unrealized appreciation (depreciation)	$ 135,037,174

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the period ended June 30, 2020, aggregated $485,118,984 and $484,261,996, respectively.

Franklin Mutual Shares VIP Fund (continued)

At June 30, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received $1,296,396 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Credit Risk and Defaulted Securities

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest. For the period ended June 30, 2020, the Fund recorded an adjustment for uncollectible interest of $2,537,110 as noted in the Statement of Operations.

At June 30, 2020, the aggregate long value of distressed company securities for which interest recognition has been discontinued was $16,798,889, representing 0.7% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

9. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At June 30, 2020, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
1,730,515	International Automotive Components Group Brazil LLC (Value is 0.0%† of Net Assets)	4/13/06 - 12/26/08	$1,149,241	$32,541

†Rounds to less than 0.1% of net assets.

Franklin Mutual Shares VIP Fund (continued)

10. Other Derivative Information

At June 30, 2020, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	**Statement of Assets and Liabilities Location**	**Fair Value**	**Statement of Assets and Liabilities Location**	**Fair Value**
Foreign exchange contracts	Variation margin on futures contracts	$1,153,179[a]	Variation margin on futures contracts	$ —
	Unrealized appreciation on OTC forward exchange contracts	574,640	Unrealized depreciation on OTC forward exchange contracts	1,449,052
Totals		$1,727,819		$1,449,052

[a]This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at period end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the period ended June 30, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts	Forward exchange contracts	$2,269,806	Forward exchange contracts	$1,511,444
	Futures contracts	1,796,871	Futures contracts	1,873,446
Equity contracts	Written options	(262,792)	Written options	—
Totals		$3,803,885		$3,384,890

For the period ended June 30, 2020, the average month end notional amount of futures contracts and options represented $64,725,121 and 1,643 shares, respectively. The average month end contract value of forward exchange contracts was $145,753,358.

See Note 1(e) regarding derivative financial instruments.

11. 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 matures on February 5, 2021. 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.

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 period ended June 30, 2020, the Fund did not use the Global Credit Facility.

Franklin Mutual Shares VIP Fund (continued)

12. 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.)
- 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 June 30, 2020, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:[a]				
Equity Investments:[b]				
Aerospace & Defense	$ 30,558,434	$ 25,774,011	$ —	$ 56,332,445
Auto Components	—	—	32,541	32,541
Capital Markets	—	24,692,435	—	24,692,435
Machinery	—	17,211,517	—	17,211,517
Media	146,678,668	—	90,727	146,769,395
Oil, Gas & Consumable Fuels	92,850,587	45,546,302	—	138,396,889
Pharmaceuticals	197,785,312	56,028,172	—	253,813,484
Software	81,169,520	114,439	—	81,283,959
Specialty Retail	21,876,036	—	6,571,584[c]	28,447,620
Technology Hardware, Storage & Peripherals	43,565,381	58,640,009	—	102,205,390
Tobacco	36,912,559	42,004,520	—	78,917,079
Wireless Telecommunication Services	—	13,386,708	—	13,386,708
All Other Equity Investments	1,194,639,212	—	—	1,194,639,212
Corporate Bonds, Notes and Senior Floating Rate Interests	—	137,686,522	—	137,686,522
Corporate Notes in Reorganization	—	16,798,889	—	16,798,889
Companies in Liquidation	—	—	49,840[c]	49,840
Short Term Investments	68,571,909	14,519,396	—	83,091,305
Total Investments in Securities	$ 1,914,607,618	$ 452,402,920	$ 6,744,692	$ 2,373,755,230
Other Financial Instruments:				
Futures Contracts	$ 1,153,179	$ —	$ —	$ 1,153,179
Forward Exchange Contracts	—	574,640	—	574,640
Total Other Financial Instruments	$ 1,153,179	$ 574,640	$ —	$ 1,727,819

Franklin Mutual Shares VIP Fund (continued)

12. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Liabilities:				
Other Financial Instruments:				
Forward Exchange Contracts	$ —	$ 1,449,052	$ —	$ 1,449,052

[a]For detailed categories, see the accompanying Statement of Investments.
[b]Includes common stocks as well as other equity interests.
[c]Includes securities determined to have no value at June 30, 2020.

A reconciliation in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 assets and liabilities at the beginning and/or end of the period.

13. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management is currently evaluating the impact, if any, of applying this ASU.

14. 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.

Abbreviations

Counterparty		Currency		Selected Portfolio	
BOFA	Bank of America Corp.	**EUR**	Euro	**ADR**	American Depositary Receipt
BONY	Bank of New York	**GBP**	British Pound	**FHLB**	Federal Home Loan Bank
HSBK	HSBC Bank PLC	**USD**	United States Dollar	**LIBOR**	London InterBank Offered Rate
SSBT	State Street Bank and Trust Co., N.A.				
UBSW	UBS AG				

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. Corporate Investment Grade Index is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

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 that is 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.

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 six-month period ended 6/30/20, there were 37 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 six-month period ended 6/30/20, 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 Index is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets in Europe.

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 ex USA Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets, excluding the U.S. Net Returns (NR) include income net of tax withholding when dividends are paid.

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 values.

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

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

Russell 2000® Index is market capitalization weighted and measures performance of the 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 values.

Russell 3000® Index is market capitalization weighted and represents the majority of the U.S. market's total capitalization.

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 values.

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 values.

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.

Shareholder Information

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Franklin Allocation VIP Fund
Franklin Flex Cap Growth VIP Fund
Franklin Global Real Estate VIP Fund
Franklin Growth and Income VIP Fund
Franklin Income VIP Fund
Franklin Large Cap Growth VIP Fund
Franklin Mutual Global Discovery VIP Fund
Franklin Mutual Shares VIP Fund
Franklin Rising Dividends VIP Fund
Franklin Small Cap Value VIP Fund
Franklin Small-Mid Cap Growth VIP Fund
Franklin Strategic Income VIP Fund
Franklin U.S. Government Securities VIP Fund
Franklin VolSmart Allocation VIP Fund
Templeton Developing Markets VIP Fund
Templeton Foreign VIP Fund
Templeton Global Bond VIP Fund
Templeton Growth VIP Fund
(each a Fund)

At a meeting held on April 7, 2020 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the (i) investment management agreement between Franklin Advisers, Inc. (FAI) and the Trust, on behalf of each of Franklin Allocation VIP Fund, Franklin Flex Cap Growth VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small-Mid Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Franklin VolSmart Allocation VIP Fund, and Templeton Global Bond VIP Fund; (ii) the investment sub-advisory agreement between FAI and Franklin Templeton Institutional, LLC (FTIL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iii) the investment sub-advisory agreement between FAI and Templeton Global Advisors Limited (TGAL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iv) the investment management agreement between FTIL and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (v) the investment management agreement between Franklin Mutual Advisers, LLC (FMA) and the Trust, on behalf of each of Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund and Franklin Small Cap Value VIP Fund; (vi) the investment management agreement between Templeton Asset Management Ltd. (TAML) and the Trust, on behalf of Templeton Developing Markets VIP Fund; (vii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (viii) the investment management agreement between TGAL and the Trust, on behalf of Templeton Growth VIP Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate. FAI, FTIL, FMA, TAML, TICL and TGAL are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to each Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters and, in some cases, requested additional information from the Managers relating to the contract. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by each Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by each Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the

Independent Trustees, determined that the terms of each Management Agreement are fair and reasonable and that the continuance of such Management Agreement is in the interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

Nature, Extent and Quality of Services

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by each Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of each Manager; as well as information on succession planning where appropriate; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by each Manager and its affiliates; and management fees charged by each Manager and its affiliates to US funds and other accounts, including management's explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton (FT) or the Funds to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements, which included discussion of the changing distribution landscape for the Funds. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Managers' parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the FT organization. The Board specifically noted FT's commitment to enhancing services and controlling costs, as reflected in its plan to outsource certain administrative functions, and growth opportunities, as evidenced by its upcoming acquisition of the Legg Mason companies. The Board acknowledged the change in leadership at FRI and the opportunity to hear from Jennifer Johnson, President and Chief Executive Officer of FRI, about goals she has for the company that will benefit the Funds.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by each Manager and its affiliates to the Funds and their shareholders.

Fund Performance

The Board reviewed and considered the performance results of each Fund over various time periods ended January 31, 2020. The Board considered the performance returns for each Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also considered the performance returns for the Franklin Income VIP Fund and Franklin VolSmart Allocation VIP Fund in comparison to the performance returns of a customized peer group (Performance Customized Peer Group) selected by the Manager. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

Franklin Allocation VIP Fund - The Performance Universe for this Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Performance Universe was not directly comparable to the Fund as the Performance Universe includes funds with equity exposures between 60%-80% and the Fund maintains a strategic asset allocation of 60% equities. Management further explained that the Fund's strategic allocation has served as a headwind for peer-relative returns since the Fund's repositioning on May 1, 2019 to a direct investment fund with an actively managed dynamic allocation strategy. The Board noted management's explanations and determined that, in light of the recent strategy changes, additional time will be needed to evaluate the effectiveness of management's actions. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

Franklin Flex Cap Growth VIP Fund - The Performance Universe for this Fund included the Fund and all large-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-year period was above the median of its Performance Universe, but for the one-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that during the one-year period, Information Technology and Industrials were the two largest sectors of underperformance for the Fund. Management further explained that the Fund's cash position was also a detractor from the Fund's performance. The Board noted management's steps to address the underperformance of the Fund. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored. In doing so, the Board noted that, while below median, the Fund's annualized total return for the one-, five- and 10-year periods was 23.48%, 12.99% and 12.87%, respectively.

Franklin Growth and Income VIP Fund - The Performance Universe for the Fund included the Fund and all equity income funds underlying VIPs. The Board noted that the Fund's annualized income return and annualized total return for the one-, three-, five- and 10-year periods were above the medians of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Income VIP Fund - The Performance Universe for the Fund included the Fund and all mixed-asset target allocation moderate funds underlying VIPs. The Performance Customized Peer Group for the Fund consisted of funds sorted by trailing 12-month yield and set to be top quartile (highest yield). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the medians and in the first quintile (best) of its Performance Universe and Performance Customized Peer Group. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the medians of its Performance Universe and Performance Customized Peer Group. Given the Fund's income-oriented investment objective, the Board concluded that the Fund's performance was satisfactory.

Franklin Strategic Income VIP Fund - The Performance Universe for the Fund included the Fund and all multi-sector income funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's relative underperformance was due, in part, to a shorter duration profile of its portfolio holdings and a reduced exposure to credit risk. The Board also noted management's continued enhancements to the Fund's investment process, which includes a greater role for macroeconomics and incorporates more quantitative techniques to assist with portfolio construction. Given the Fund's income-oriented investment objective and the considerations noted above, the Board concluded that the Fund's performance was satisfactory.

Franklin Large Cap Growth VIP Fund - The Performance Universe for the Fund included the Fund and all multi-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the 10-year period was below the median of its Performance Universe, but for the one-, three- and five-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Mutual Global Discovery VIP Fund - The Performance Universe for the Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe, but for the three-year period was slightly below the median of its Performance Universe and for the five-year period was equal to the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Mutual Shares VIP Fund - The Performance Universe for the Fund included the Fund and all multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's underperformance in 2017 was material and continues to adversely impact the Fund's ranking over longer-term periods. Management reminded the Board of the primary factors that impacted the 2017 performance, including, among factors, exposure to non-US equities and stock selection. Management then explained that, over the one-year period, the Fund's non-equity investments and stock selection weighed on the Fund's relative performance. Management also explained that approximately 15% of the Fund's portfolio was in non-equity investments which relatively underperformed the robust 2019 equity market performance. Management further explained that the Fund's cash position also weighed on relative performance. Management then discussed with the Board the actions that continue to be taken in an effort to address the sources of the Fund's underperformance, including enhancements to the Fund's investment process, particularly with respect to portfolio and quantitative analytics. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

Franklin Small-Mid Cap Growth VIP Fund - The Performance Universe for the Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's positioning in the energy, healthcare, consumer, materials, industrial and information technology sectors was a primary detractor from relative performance over the one-, three- and five-year periods. Management further explained that, during the one-, three- and five-year periods, the Fund had more exposure to smaller cap stocks in comparison to its peers, noting that these stocks meaningfully underperformed during the requisite periods. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including consolidating the Fund into fewer positions which have demonstrated certain attributes and working closely with the Investment Risk Management Group to limit the amount of risk in the Fund's portfolio and minimize permanent loss of capital. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored. In doing so, the Board noted that, while below median, the Fund's annualized total return for the one-, three-, five- and 10-year periods was 20.96%, 14.29%, 9.99% and 12.87%, respectively.

Franklin Global Real Estate VIP Fund - The Performance Universe for the Fund included the Fund and all global real estate funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's one-year annualized total return was 12.02% and only slightly below the Performance Universe median of 13.11%. The Board concluded that the Fund's performance was acceptable.

Franklin Rising Dividends VIP Fund- The Performance Universe for the Franklin Rising Dividends VIP Fund included the Fund and all large-cap core funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's one-year annualized total return was 20.55% and only slightly below the Performance Universe median of 20.92%. The Board concluded that the Fund's performance was acceptable.

Franklin Small Cap Value VIP Fund and Templeton Developing Markets VIP Fund - The Performance Universe for the Franklin Small Cap Value VIP Fund included the Fund and all small-cap value funds underlying VIPs. The Performance Universe for the Templeton Developing Markets VIP Fund included the Fund and all emerging markets funds underlying VIPs. The Board noted that each Fund's annualized total return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board concluded that each Fund's performance was satisfactory.

Franklin U.S. Government Securities VIP Fund - The Performance Universe for the Fund included the Fund and all intermediate US government funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. Given the Fund's income-oriented investment objective and conservative policy of investing a significant to substantial amount in

Ginnie Mae obligations, the Board concluded that the Fund's performance was satisfactory.

Franklin VolSmart Allocation VIP Fund - The Performance Universe for the Fund included the Fund and all flexible portfolio funds underlying VIPs. The Performance Customized Peer Group for the Fund consisted of the Fund and all retail and institutional mixed-asset target allocation moderate funds. The Fund has been in operation for less than 10 years. The Board noted that the Fund's annualized total return for the three- and five-year periods was below the medians of its Performance Universe and Performance Customized Peer Group, but for the one-year period was above the medians of its Performance Universe and Performance Customized Peer Group. The Board further noted that the Fund's annualized total return for the three-year period was only 0.02% below the median of its Performance Universe and that the Fund's annualized total return for the one-year period was 13.90% and in the second quintile of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Templeton Foreign VIP Fund - The Performance Universe for the Fund included the Fund and all international multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that, even though the Fund's peer group is comprised of multi-cap value funds, the Fund has a more intense value tilt than the Performance Universe, which has negatively impacted the Fund's relative returns during a period of historic and sustained outperformance of growth over value. Management further explained that over the one-, three- and five-year periods, the Fund's performance was also negatively impacted by stock selection among overweight health care holdings and underweight industrials and consumer discretionary stocks. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including a focus on constructing a more diversified and high-conviction portfolio. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

Templeton Global Bond VIP Fund - The Performance Universe for the Fund included the Fund and all global income funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three- and five-year periods was below the median of its Performance Universe, but for the 10-year period was above the median of its Performance Universe. The Board discussed this performance with management and management explained that during the one-, three- and five- year periods, management largely positioned the Fund's strategies for rising rates by maintaining low portfolio duration and aiming at a negative correlation with US Treasury returns. Management further explained that the interest-rate strategies detracted from the Fund's relative return, while currency positions contributed to the return. Management then discussed with the Board the portfolio manager's outlook going forward and expectation that the risk management strategies that had weighted on return would be valuable in a diversifying portfolio going forward. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

Templeton Growth VIP Fund - The Performance Universe for this Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's higher exposure to value stocks, which have experienced a period of historic underperformance, and underweight position in US stocks, as compared to peers contributed to the Fund's relative underperformance. Management also explained that weightings in particular sectors (such as information technology, communications services, cyclical energy and financials) and overall stock selection contributed to the Fund's relative underperformance. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including a focus on constructing a more diversified and high-conviction portfolio. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

Comparative Fees and Expenses

The Board reviewed and considered information regarding each Fund's actual total expense ratio and its various components, including, as applicable, management fees;

transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly and annual reports it receives on all marketing support payments made by FT to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of each Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure to the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

Franklin Flex Cap Growth VIP Fund, Templeton Foreign VIP Fund and Templeton Growth VIP Fund - The Expense Group for the Franklin Flex Cap Growth VIP Fund included the Fund and 11 other large-cap growth funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, eight other international multi-cap value funds underlying VIPs and three international large-cap value funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, two other global multi-cap value funds underlying VIPs, two global multi-cap core funds underlying VIPs and five global multi-cap growth funds underlying VIPs. The Board noted that the Management Rates for these Funds were above the medians of their respective Expense Groups, but their actual total expense ratios were below the medians of their respective Expense Groups. The Board further noted that the Management Rate for the Templeton Foreign VIP Fund was approximately six basis points above the median of its Expense Group and the Management Rate for the Templeton Growth VIP Fund was approximately nine basis points above the median of its Expense Group. The Board concluded that the Management Rates charged to these Funds are reasonable. In doing so, the Board noted that the Franklin Flex Cap Growth Fund's actual total expense ratio reflected a fee waiver from management.

Franklin Mutual Shares VIP Fund - The Expense Group for the Fund included the Fund and 10 other multi-cap value funds underlying VIPs. The Board noted that the Management Rate for the Fund was approximately 7.5 basis points above the median of its Expense Group, but its actual total expense ratio was equal to the median of its Expense Group. The Board further noted management's explanation that the portfolio management team makes investments in distressed securities and merger arbitrage situations that are specialized in nature and therefore require additional expertise and resources, whereas the Fund's Expense Group generally does not make such investments. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Strategic Income VIP Fund and Templeton Developing Markets VIP Fund - The Expense Group for the Franklin Strategic Income VIP Fund included the Fund and 10 other multi-sector income funds underlying VIPs. The Expense Group for the Templeton Developing Markets VIP Fund included the Fund and 13 other emerging markets funds underlying VIPs. The Board noted that the Management Rates for the Funds were equal to the medians of their respective Expense Groups, and their actual total expense ratios were below the medians of their respective Expense Groups. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Small-Mid Cap Growth VIP Fund - The Expense Group for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and 12 other mid-cap growth funds underlying VIPs. The Board noted that the Management Rate for the Fund was below the median of its Expense Group, and the actual total expense ratio for the Fund was equal to the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Allocation VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Large Cap Growth VIP Fund and Franklin Mutual Global Discovery VIP Fund – The Expense Group for the Franklin Allocation VIP Fund included the Fund and 10 other mixed-asset target allocation growth affiliated funds of funds underlying VIPs. The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and seven other global real estate funds underlying VIPs. The Expense Group for the Franklin Large Cap Growth VIP Fund included the Fund and 11 other multi-cap growth funds underlying

VIPs. The Expense Group for the Franklin Mutual Global Discovery VIP Fund included the Fund, two other global multi-cap value funds underlying VIPs, two global multi-cap core funds underlying VIPs and five global multi-cap growth funds underlying VIPs. The Board noted that the Management Rates and actual total expense ratios for these Funds were above the medians of their respective Expense Groups. With respect to the Franklin Allocation VIP Fund, the Board discussed with management the reasons for the increase in the contractual management fee over the past year. Management reminded the Board that prior to May 1, 2019, the Fund was a static allocation fund of funds and did not have an investment manager or pay direct investment management fees, and that effective May 1, 2019, the Fund began investing directly in securities, entered into the Management Agreement with FAI and began paying the contractual management fee. Management also explained that Broadridge did not account for the change in the Fund's structure and continued to use a peer group of funds of funds to compare expenses. With respect to the Franklin Mutual Global Discovery VIP Fund, the Board noted management's explanation that the portfolio management team makes investments in distressed securities and merger arbitrage situations that are specialized in nature and therefore require additional expertise and resources, whereas the Fund's Expense Group generally does not make such investments. The Board also noted that the Fund's actual total expense ratio was only slightly above (less than 5 basis points) the median of the Fund's Expense Group. With respect to the Franklin Global Real Estate VIP Fund, the Board noted management's explanation that the portfolio managers' rigorous fundamental analysis and active risk controls elevate management costs. The Board also noted that the Fund's actual total expense ratio reflected a fee waiver from management. With respect to the Franklin Large Cap Growth VIP Fund, the Board noted that the Fund's Management Rate and actual total expense ratio were only slightly above (approximately 2 basis points or less) the medians of the Fund's Expense Group. The Board concluded that the Management Rates charged to these Funds are reasonable. In doing so, the Board noted that the Franklin Allocation VIP Fund's sub-advisers, FTIL and TGAL, are paid by FAI out of the management fee FAI receives from the Fund.

Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Cap Value VIP Fund, Franklin U.S. Government Securities VIP Fund and Templeton Global Bond VIP Fund – The Expense Group for the Franklin Growth and Income VIP Fund included the Fund and 10 other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and nine other mixed-asset target allocation moderate funds underlying VIPs. The Expense Group for Franklin Rising Dividends VIP Fund included the Fund and 11 other large-cap core funds underlying VIPs. The Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and eight other small-cap value funds underlying VIPs. The Expense Group for the Franklin U.S. Government Securities VIP Fund included the Fund, three other intermediate US government funds underlying VIPs and eight inflation-protected bond funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and 10 other global income funds underlying VIPs. The Board noted that the Management Rates and actual total expense ratios for these Funds were below the medians of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable. The Board also noted that the Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management.

Franklin VolSmart Allocation VIP Fund – The Expense Group for this Fund included the Fund, three other flexible portfolio funds underlying VIPs and one mixed-asset target allocation growth fund underlying VIP. The Board noted the small size of the Expense Group. The Board also noted that the Management Rate for the Fund was below the median of its Expense Group and its actual total expense ratio was above the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable. In doing so, the Board noted that the Fund's actual total expense ratio reflected a fee waiver from management.

Profitability

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2019, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the

Funds' profitability report presentations from prior years. Additionally, PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, was engaged to review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by each Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. As part of this evaluation, the Board considered the initiative currently underway to outsource certain operations, which effort would require considerable up-front expenditures by the Managers but, over the long run is expected to result in greater efficiencies. The Board also noted management's expenditures in improving shareholder services provided to the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent US Securities and Exchange Commission and other regulatory requirements, notably in the area of cybersecurity protections.

The Board also considered the extent to which each Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by each Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, extent and quality of services provided to each Fund.

Economies of Scale

The Board reviewed and considered the extent to which each Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints for each Fund (except for the Franklin Allocation VIP Fund and the Franklin VolSmart Allocation VIP Fund), which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered management's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments each Manager incurs across the FT family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by each Manager and its affiliates, each Fund's management fee structure (except for the Franklin Allocation VIP Fund and the Franklin VolSmart Allocation VIP Fund) provided a sharing of benefits with the Fund and its shareholders as the Fund grows. The Board recognized that there would not likely be any economies of scale for the Franklin Flex Cap Growth VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Growth and Income VIP Fund, Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund until each Fund's assets grow. The Board also recognized that given the decline in assets over the past three calendar years for each of the Franklin Income VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Cap Value VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Templeton Foreign VIP Fund and Templeton Growth VIP Fund, these Funds are not expected to experience additional economies of scale in the foreseeable future.

Conclusion

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of each Management Agreement for an additional one-year period.

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Templeton Developing Markets VIP Fund
(Fund)

At a meeting held on May 13, 2020 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not "interested persons" as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved a new investment sub-advisory agreement between Templeton Asset Management Ltd. (Manager), the Fund's investment manager, and Franklin Templeton Investment Management Limited (Sub-Adviser), on behalf of the Fund (Sub-Advisory Agreement) for an initial two-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the Sub-Advisory Agreement.

The Board reviewed and considered information provided by the Manager at the Meeting with respect to the Sub-Advisory Agreement. The Board also reviewed and considered the factors it deemed relevant in approving the Sub-Advisory Agreement, including, but not limited to: (i) the nature, extent, and quality of the services to be provided by the Sub-Adviser; and (ii) the costs of the services to be provided by the Sub-Adviser. The Board further reviewed and considered information provided by management showing the expected impact of hiring the Sub-Adviser on the Manager's profitability consistent with the Order (as defined below). The Board also considered that management proposed that the Board approve the Sub-Advisory Agreement in order to facilitate certain portfolio management team enhancements. The Board reviewed and further considered the form of Sub-Advisory Agreement and the terms of the Sub-Advisory Agreement which were discussed at the Meeting, noting that the terms and conditions of the Sub-Advisory Agreement were substantially identical to the terms and conditions of sub-advisory agreements for other Franklin Templeton (FT) mutual funds.

In approving the Sub-Advisory Agreement, the Board, including a majority of the Independent Trustees, determined that the hiring of the Sub-Adviser is in the best interests of the Fund and its shareholders and does not involve a conflict of interest from which the Manager or Sub-Adviser derives an inappropriate advantage. The Board also determined that the terms of the Sub-Advisory Agreement are fair and reasonable and that the approval of such Sub-Advisory Agreement is in the interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

Nature, Extent and Quality of Services

The Board reviewed and considered information regarding the nature, extent and quality of investment management services to be provided by the Sub-Adviser and currently being provided by the Manager and its affiliates to the Fund and its shareholders. In doing so, the Board noted that the Fund employs a "manager of managers" structure pursuant to an exemptive order (Order) granted to the Manager by the U.S. Securities and Exchange Commission, whereby the Manager and the Fund may, without shareholder approval, enter into sub-advisory agreements with sub-advisers that are indirect or direct wholly owned subsidiaries of Franklin Resources, Inc. (FRI). In particular, with respect to the Sub-Adviser, the Board took into account that the Sub-Advisory Agreement would not affect how the Fund is managed or the Fund's investment goal, principal investment strategies or principal risks associated with an investment in the Fund. The Board reviewed and considered information regarding the nature, quality and extent of investment subadvisory services to be provided by the Sub-Adviser to the Fund and its shareholders under the Sub-Advisory Agreement; the Sub-Adviser's experience as manager of other funds and accounts, including those within the FT organization; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of the Sub-Adviser and the Sub-Adviser's capabilities, as demonstrated by, among other things, its policies and procedures designed to prevent violations of the federal securities laws, which had previously been approved by the Board in connection with its oversight of other funds in the FT organization.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of FRI, the parent of the Manager and Sub-Adviser, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Fund by the FT organization. The Board specifically noted FT's commitment to enhancing services and controlling costs, as reflected in its plan to outsource certain administrative functions, and growth opportunities, as evidenced by its upcoming acquisition of the Legg Mason companies. The Board acknowledged the change in leadership at FRI and the opportunity to hear from Jennifer Johnson, President and Chief Executive Officer of FRI, about goals she has for the company that will benefit the Fund.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be provided by the Sub-Adviser and its affiliates to the Fund and its shareholders.

Fund Performance

The Board noted its review and consideration of the performance results of the Fund in connection with the April

2020 annual contract renewal (Annual Contract Renewal) of the Fund's investment management agreement. The Board recalled its conclusion at that time that the Fund's performance was satisfactory. The Board also noted the proposed portfolio management team enhancements for the Fund, and determined that, in light of these changes, additional time will be needed to evaluate the effectiveness of management's actions.

Comparative Fees and Expenses

The Board reviewed and considered information regarding the investment subadvisory fee to be charged by the Sub-Adviser. The Board noted that the addition of the Sub-Adviser will have no impact on the amount of management fees that are currently paid by the Fund as the Sub-Adviser will be paid by the Manager out of the management fee that the Manager receives from the Fund. The Board further noted that the allocation of the fee between the Manager and the Sub-Adviser reflected the services to be provided by each. The Board concluded that the proposed investment subadvisory fee is reasonable.

Management Profitability and Economies of Scale

The Board noted that it reviewed and considered information showing the expected impact of retaining the Sub-Adviser on the profitability of the Manager consistent with the conditions of the Order. The Board determined that its conclusions regarding profitability and economies of scale reached in connection with the Annual Contract Renewal of the investment management agreement with the Manager had not changed as a result of the proposal to approve the Sub-Advisory Agreement.

Conclusion

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the Sub-Advisory Agreement for an initial two-year period.

Liquidity Risk Management Program

The Funds have adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940. The program is designed to assess and manage each Fund's liquidity risk, taking into consideration the Fund's investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds' interfund lending facility and line of credit. The Funds' Board of Trustees approved the appointment of the Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") as the Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for FT products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Investment Compliance, Investment Operations, Valuation Committee and Product Management groups.

The LRMP Administrator Annual Report was presented to the Fund(s) Board of Trustees at their meetings in May 2020. The report covered the adequacy and effectiveness of the program during the period December 1, 2018 to December 31, 2019 (the "covered period"). The report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund. In addition, the LRMP Administrator presented the Fund Board of Trustees an update on liquidity during the first quarter of 2020 in relation to the COVID-19 pandemic.

During the reporting period, the Fund maintained a high level of liquid assets that are defined under the Liquidity Rule as ″Highly Liquid Investments.″ As a result, the Fund was designated a "Primarily Highly Liquid Fund" as defined under the Liquidity Rule and has not adopted a ″Highly Liquid Investment Minimum.″ A Highly Liquid Investment is defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

There can be no assurance that the program will achieve its objectives in the future. Please refer to your Fund's prospectus for more information regarding the Fund's exposure to liquidity risk and other principal risks to which an investment in the Fund may be subject.

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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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.

FRANKLIN TEMPLETON

Semiannual 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.