



**FRANKLIN  
TEMPLETON**

**Annual Report**

December 31, 2018

# Franklin Templeton Variable Insurance Products Trust





# Franklin Templeton Variable Insurance Products Trust Annual Report

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

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

# Important Notes to Performance Information

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

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not

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

**SUPPLEMENT DATED JULY 10, 2018  
TO THE PROSPECTUS DATED MAY 1, 2018  
OF  
FRANKLIN FLEX CAP GROWTH VIP FUND  
FRANKLIN FOUNDING FUNDS ALLOCATION 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 series of Franklin Templeton Variable Insurance Products Trust)**

I. The following replaces the third paragraph in the prospectus under “Additional Information, All Funds – Fund Account Information – Fund Account Policies – Calculating Share Price:”

The Fund calculates the NAV per share each business day as of 1 p.m. Pacific time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. The Fund does not calculate the NAV on days the NYSE is closed for trading, which include New Year’s Day, Martin Luther King Jr. Day, President’s Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. If the NYSE has a scheduled early close, the Fund’s share price would be determined as of the time of the close of the NYSE. If, due to weather or other special or unexpected circumstances, the NYSE has an unscheduled early close on a day that it has opened for business, the Fund reserves the right to consider that day as a regular business day and accept purchase and redemption orders and calculate its share price as of the normally scheduled close of regular trading on the NYSE.

*Please keep this supplement with your prospectus for future reference.*

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# Templeton Foreign VIP Fund

This annual report for Templeton Foreign VIP Fund covers the fiscal year ended December 31, 2018.

## Class 2 Performance Summary as of December 31, 2018

Average annual total return of Class 2 shares\* represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/18	1-Year	5-Year	10-Year
Average Annual Total Return	-15.44%	-2.55%	+5.43%

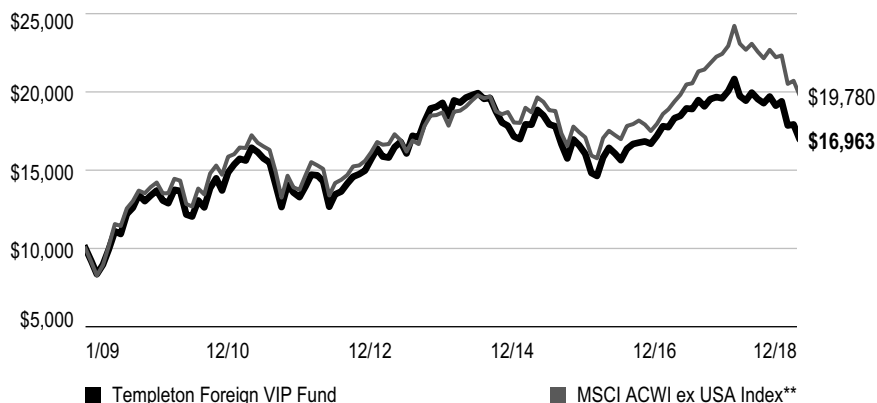
\*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/19. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*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.*

### Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/09–12/31/18)

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



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

## Fund Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of issuers located outside the US, including those in emerging markets.

## Fund Risks

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Because the Fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in companies in Europe. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

## Performance Overview

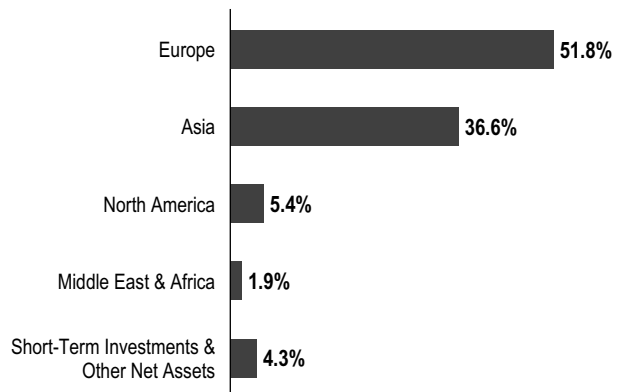
You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the MSCI All Country World Index (ACWI) ex USA Index, had a -3.44% total return for the same period.<sup>1</sup> Please note, index performance information is provided for reference and we do not attempt to track the index but rather undertake investments on the basis of fundamental research.

## Economic and Market Overview

The global economy expanded during the 12 months under review, despite weakness in certain regions. Global developed and emerging market stocks were aided at certain points during the period by higher crude oil prices, upbeat economic data, easing trade tensions and encouraging corporate earnings reports, as well as indications of a slower pace of interest-rate increases from the U.S. Federal Reserve (Fed).

## Geographic Composition

Based on Total Net Assets as of 12/31/18



However, various factors weighed on global markets during the period, including concerns about tighter regulation of technology companies, political uncertainties in the U.S. and the European Union, and major central banks' interest-rate path and unwinding of monetary stimulus measures. Markets were further pressured by U.S. trade disputes with its allies and China, and their impact on global growth and corporate earnings. In this environment, global stocks, as measured by the MSCI ACWI, had a -8.93% total return for the 12 months ended December 31, 2018.<sup>1</sup>

The U.S. economy grew during the 12-month period. After moderating for three consecutive quarters, the economy grew faster in 2018's second quarter, driven by consumer spending, business investment, exports and government spending. However, growth moderated in the third quarter due to declines in exports and housing investment. The unemployment rate declined from 4.1% in December 2017 to 3.9% at period-end.<sup>2</sup> Annual inflation, as measured by the Consumer Price Index, decreased from 2.1% in December 2017 to 1.9% at period-end.<sup>2</sup> The Fed raised its target range for the federal funds rate four times during the period, to 2.25%–2.50%, and continued reducing its balance sheet as part of an ongoing plan to normalize monetary policy. At its December meeting, the Fed reduced the projected 2019 rate increases to two, compared to three projected previously.

In Europe, the U.K.'s quarterly economic growth moderated in 2018's first quarter, but accelerated in 2018's second and third quarters. The Bank of England raised its key policy rate once

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

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

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



during the review period. After moderating in 2018's first quarter, the eurozone's quarterly growth remained stable in the second quarter, but eased in the third quarter. The bloc's annual inflation rate ended the period higher than in December 2017. The European Central Bank (ECB) kept its benchmark interest rate unchanged during the period. In December 2018, the ECB confirmed its plan to conclude its bond purchase program at the end of 2018 and reiterated it expects key interest rates to remain unchanged through the summer of 2019.

In Asia, Japan's quarterly gross domestic product (GDP) grew in 2018's second quarter, following a contraction in the first quarter, but contracted again in the third quarter. The Bank of Japan left its benchmark interest rate unchanged during the period and continued its monetary stimulus measures.

In emerging markets, Brazil's quarterly GDP growth remained stable in 2018's first and second quarters, but accelerated in the third quarter. The Central Bank of Brazil lowered its benchmark interest rate twice during the period. Russia's annual GDP growth rate accelerated in 2018's first and second quarters, but moderated in the third quarter. After lowering its key rate twice early in the period, the Bank of Russia raised it twice in the period's second half to curtail inflation risks. China's annual GDP grew at a stable rate in 2018's first quarter, but it moderated in the second and third quarters. The People's Bank of China left its benchmark interest rate unchanged during the period, but it took measures to improve financial liquidity to mitigate the negative effects of the U.S.-China trade dispute and support economic growth. Overall, emerging market stocks, as measured by the MSCI Emerging Markets Index, had a -14.25% total return during the period.<sup>1</sup>

## Investment Strategy

Our investment philosophy is bottom up, value oriented and long term. When choosing investments for the Fund, we generally focus on the market price of a company's securities relative to our evaluation of the company's potential long-term earnings, asset value and cash flow. We also consider a company's price/earnings ratio, profit margins and liquidation value.

## Top 10 Holdings

12/31/18

Company Sector/Industry, Country	% of Total Net Assets
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	4.0%
BP PLC <i>Oil, Gas &amp; Consumable Fuels, U.K.</i>	3.2%
Royal Dutch Shell PLC <i>Oil, Gas &amp; Consumable Fuels, U.K.</i>	2.9%
Standard Chartered PLC <i>Banks, U.K.</i>	2.9%
Roche Holding AG <i>Pharmaceuticals, Switzerland</i>	2.7%
Sanofi <i>Pharmaceuticals, France</i>	2.5%
Wheaton Precious Metals Corp. <i>Metals &amp; Mining, Canada</i>	2.2%
BNP Paribas SA <i>Banks, France</i>	2.0%
China Telecom Corp. Ltd. <i>Diversified Telecommunication Services, China</i>	2.0%
HSBC Holdings PLC <i>Banks, U.K.</i>	1.9%

## Manager's Discussion

During the 12 month period under review, an overweighting in the health care sector, particularly in life sciences tools and services, contributed to relative results.<sup>3</sup> Biotechnology companies MorphoSys<sup>4,5</sup> (Germany), QIAGEN (the Netherlands) and Shire (U.K.) contributed to performance, as did pharmaceutical companies Sanofi (France) and Roche Holding (Switzerland).

Stock selection in the communication services sector, especially in media, supported relative performance.<sup>6</sup> Luxembourg-based satellite specialist SES was the sector's top contributor. Recent results have shown stabilization in the firm's video business, as well as better-than-expected growth in other key segments. Though sentiment remains tepid, recent progress highlights some of the positive changes being delivered by a new management team working to repair the balance sheet and seize long-term growth opportunities. Additionally, share prices advanced after U.S. regulators

3. The health care sector comprises biotechnology, health care equipment and supplies, health care providers and services, life sciences tools and services, and pharmaceuticals in the SOI.

4. Not held at period-end.

5. Not part of the index.

6. The communication services sector comprises diversified telecommunication services, entertainment, interactive media and services, media and wireless telecommunication services in the SOI.

advanced a proposal to let terrestrial services use airwaves long dedicated to the satellite services. Other significant contributors included Chinese telecommunication services company China Telecom and Japanese telecoms operator and technology conglomerate SoftBank Group<sup>4</sup> aided the Fund's performance.

An overweighting in the energy sector supported relative performance.<sup>7</sup> Oil and gas companies Eni (Italy) and BP (U.K.) were the sector's top contributors. Shares of BP were supported by solid first quarter results, reflecting strong cost control and very strong operational and project delivery performance which led to increased oil and gas production and further improvements to its balance sheet. Additionally, BP stated that a dividend hike will be discussed by the company's board later in 2019. Rising crude oil prices at certain points during the period also boosted share prices.

Key individual contributors included Japanese beverage firm Suntory Beverage & Food.

In contrast, stock selection in the financials sector, particularly in banks, detracted from relative results.<sup>8</sup> Banking firms BNP Paribas (France) and Bank of Ireland Group (Ireland) weighed on the Fund's performance. Shares of BNP were pressured by concerns about its exposure to Italian sovereign debt after political parties outside the Italian mainstream won the general election and struggled to form a coalition government. Escalating macro fears and a lackluster financial market environment in Europe also hurt the bank's shares.

Stock selection in the consumer discretionary sector, notably in specialty retail, hampered relative results.<sup>9</sup> Specialty retailer Kingfisher (U.K.), household durables company Panasonic (Japan) and auto components firm Sumitomo Rubber Industries (Japan) all weighed on relative performance.

Stock selection in the materials sector, especially in metals and mining, also weighed on relative performance.<sup>10</sup> Canadian precious metals firm Alamos Gold<sup>5</sup> and Japanese metals and mining company Sumitomo Metal Mining (Japan) were the sector's largest detractors.

Key individual detractors included consumer electronics and semiconductor manufacturer company Samsung Electronics (South Korea), chemicals and pharmaceuticals firm Bayer (Germany), internet services company Baidu (China), and trading firm SIG<sup>4,5</sup> (U.K.).

From a geographic perspective, all regions detracted from relative results. Stock selection in North America, particularly in Canada, detracted from relative results. Stock selection in Europe, notably in the U.K., and in Israel also weighed on performance. In contrast, stock selection in China, Germany, Luxembourg and Italy contributed to relative returns.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended December 31, 2018, the U.S. dollar rose in value relative to most currencies. As a result, the Fund's performance was negatively affected by the portfolio's investment predominantly in securities with non-U.S. currency exposure.

Thank you for your participation in Templeton Foreign VIP Fund. We look forward to serving your future investment needs.

*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2018, 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.*

7. The energy sector comprises energy equipment and services and oil, gas and consumable fuels in the SOI.

8. The financials sector comprises banks, capital markets and insurance in the SOI.

9. The consumer discretionary sector comprises auto components, automobiles, household durables and specialty retail in the SOI.

10. The materials sector comprises chemicals, construction materials, and metals and mining in the SOI.

## 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 (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number under the headings “Actual” and “Fund-Level Expenses Paid During Period” (*if Fund-Level Expenses Paid During Period were \$ 7.50, then  $8.6 \times \$ 7.50 = \$64.50$* ). In this illustration, the estimated expenses paid this period at the Fund level are \$64.50.

### Hypothetical Example for Comparison with Other Mutual Funds

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

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

Share Class	Beginning Account Value 7/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 12/31/18	Fund-Level Expenses Paid During Period 7/1/18–12/31/18 <sup>1,2</sup>	Ending Account Value 12/31/18	Fund-Level Expenses Paid During Period 7/1/18–12/31/18 <sup>1,2</sup>	
Class 2	\$1,000	\$879.80	\$5.07	\$1,019.81	\$5.45	1.07%

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

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

## Financial Highlights

### Templeton Foreign VIP Fund

	Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Class 1</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$15.80	\$13.89	\$13.46	\$15.34	\$17.56
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.29	0.30	0.33	0.31	0.53 <sup>c</sup>
Net realized and unrealized gains (losses) . . . . .	(2.64)	2.03	0.62	(1.16)	(2.39)
Total from investment operations . . . . .	(2.35)	2.33	0.95	(0.85)	(1.86)
Less distributions from:					
Net investment income . . . . .	(0.44)	(0.42)	(0.29)	(0.53)	(0.36)
Net realized gains . . . . .	—	—	(0.23)	(0.50)	—
Total distributions . . . . .	(0.44)	(0.42)	(0.52)	(1.03)	(0.36)
Redemption fees . . . . .	—	—	—	—	— <sup>d</sup>
Net asset value, end of year . . . . .	\$13.01	\$15.80	\$13.89	\$13.46	\$15.34
Total return <sup>e</sup> . . . . .	(15.27)%	17.02%	7.49%	(6.31)%	(10.89)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.83%	0.82%	0.80%	0.78%	0.77%
Expenses net of waiver and payments by affiliates . . . . .	0.81%	0.81% <sup>f</sup>	0.78%	0.78% <sup>g</sup>	0.77% <sup>g</sup>
Net investment income . . . . .	1.96%	1.99%	2.38%	2.05%	3.11% <sup>c</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$114,784	\$152,684	\$133,218	\$214,172	\$248,355
Portfolio turnover rate . . . . .	21.38%	26.81%	20.93%	15.15%	25.71%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 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 2.13%.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>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.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Templeton Foreign VIP Fund** (continued)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Class 2</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$15.47	\$13.61	\$13.20	\$15.05	\$17.24
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.25	0.26	0.28	0.27	0.48 <sup>c</sup>
Net realized and unrealized gains (losses) . . . . .	(2.58)	1.98	0.62	(1.13)	(2.35)
Total from investment operations . . . . .	(2.33)	2.24	0.90	(0.86)	(1.87)
Less distributions from:					
Net investment income . . . . .	(0.40)	(0.38)	(0.26)	(0.49)	(0.32)
Net realized gains . . . . .	—	—	(0.23)	(0.50)	—
Total distributions . . . . .	(0.40)	(0.38)	(0.49)	(0.99)	(0.32)
Redemption fees . . . . .	—	—	—	—	— <sup>d</sup>
Net asset value, end of year . . . . .	\$12.74	\$15.47	\$13.61	\$13.20	\$15.05
Total return <sup>e</sup> . . . . .	(15.44)%	16.69%	7.18%	(6.49)%	(11.13)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.08%	1.07%	1.05%	1.03%	1.02%
Expenses net of waiver and payments by affiliates . . . . .	1.06%	1.06% <sup>f</sup>	1.03%	1.03% <sup>g</sup>	1.02% <sup>g</sup>
Net investment income . . . . .	1.71%	1.74%	2.13%	1.80%	2.86% <sup>c</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$1,060,101	\$1,394,475	\$1,436,518	\$1,456,854	\$1,645,571
Portfolio turnover rate . . . . .	21.38%	26.81%	20.93%	15.15%	25.71%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 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%.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>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.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
FINANCIAL HIGHLIGHTS

**Templeton Foreign VIP Fund** (continued)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Class 4</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$15.71	\$13.71	\$13.29	\$15.16	\$17.37
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.24	0.23	0.26	0.25	0.46 <sup>c</sup>
Net realized and unrealized gains (losses) . . . . .	(2.63)	2.03	0.63	(1.14)	(2.36)
Total from investment operations . . . . .	(2.39)	2.26	0.89	(0.89)	(1.90)
Less distributions from:					
Net investment income . . . . .	(0.36)	(0.26)	(0.24)	(0.48)	(0.31)
Net realized gains . . . . .	—	—	(0.23)	(0.50)	—
Total distributions . . . . .	(0.36)	(0.26)	(0.47)	(0.98)	(0.31)
Redemption fees . . . . .	—	—	—	—	— <sup>d</sup>
Net asset value, end of year . . . . .	\$12.96	\$15.71	\$13.71	\$13.29	\$15.16
Total return <sup>e</sup> . . . . .	(15.54)%	16.62%	7.09%	(6.65)%	(11.22)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.18%	1.17%	1.15%	1.13%	1.12%
Expenses net of waiver and payments by affiliates . . . . .	1.16%	1.16% <sup>f</sup>	1.13%	1.13% <sup>g</sup>	1.12% <sup>g</sup>
Net investment income . . . . .	1.61%	1.64%	2.03%	1.70%	2.76% <sup>c</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$125,265	\$159,944	\$484,763	\$472,189	\$503,143
Portfolio turnover rate . . . . .	21.38%	26.81%	20.93%	15.15%	25.71%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 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 1.78%.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>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.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

## Statement of Investments, December 31, 2018

### Templeton Foreign VIP Fund

	Country	Shares	Value
<b>Common Stocks 95.7%</b>			
<b>Aerospace &amp; Defense 1.3%</b>			
BAE Systems PLC . . . . .	United Kingdom	1,854,352	\$ 10,858,988
<sup>a</sup> Cobham PLC . . . . .	United Kingdom	5,307,199	6,613,695
			<u>17,472,683</u>
<b>Auto Components 1.2%</b>			
Cie Generale des Etablissements Michelin SCA. . . . .	France	67,168	6,672,526
Sumitomo Rubber Industries Ltd. . . . .	Japan	712,200	8,447,628
			<u>15,120,154</u>
<b>Automobiles 0.5%</b>			
Hero Motocorp Ltd. . . . .	India	154,059	6,874,194
<b>Banks 15.7%</b>			
Bangkok Bank PCL, fgn. . . . .	Thailand	3,144,600	20,127,774
Bank of Ireland Group PLC . . . . .	Ireland	2,346,131	13,054,472
Barclays PLC . . . . .	United Kingdom	8,453,430	16,226,411
BNP Paribas SA. . . . .	France	584,794	26,450,498
Hana Financial Group Inc. . . . .	South Korea	494,927	16,109,314
HSBC Holdings PLC. . . . .	United Kingdom	3,012,800	24,931,925
ING Groep NV . . . . .	Netherlands	1,966,362	21,201,271
Kasikornbank PCL, fgn. . . . .	Thailand	1,860,000	10,611,317
KB Financial Group Inc., ADR . . . . .	South Korea	437,706	18,374,898
Standard Chartered PLC . . . . .	United Kingdom	4,786,838	37,194,200
			<u>204,282,080</u>
<b>Beverages 1.3%</b>			
Suntory Beverage & Food Ltd. . . . .	Japan	363,800	16,463,942
<b>Biotechnology 1.4%</b>			
Shire PLC . . . . .	United Kingdom	318,110	18,539,108
<b>Capital Markets 1.3%</b>			
UBS Group AG . . . . .	Switzerland	1,326,231	16,550,804
<b>Chemicals 1.9%</b>			
Johnson Matthey PLC. . . . .	United Kingdom	494,842	17,663,012
Lotte Chemical Corp. . . . .	South Korea	29,003	7,213,575
			<u>24,876,587</u>
<b>Construction &amp; Engineering 1.1%</b>			
Sinopec Engineering Group Co. Ltd. . . . .	China	17,492,000	14,363,522
<b>Construction Materials 1.7%</b>			
CRH PLC . . . . .	Ireland	294,271	7,794,639
Taiheiyo Cement Corp. . . . .	Japan	452,700	14,022,961
			<u>21,817,600</u>
<b>Diversified Telecommunication Services 4.5%</b>			
China Telecom Corp. Ltd., H . . . . .	China	50,418,357	25,754,859
Singapore Telecommunications Ltd. . . . .	Singapore	8,893,300	19,116,958
Telefonica Deutschland Holding AG . . . . .	Germany	3,443,999	13,555,892
			<u>58,427,709</u>
<b>Electric Utilities 0.6%</b>			
Korea Electric Power Corp. . . . .	South Korea	267,802	7,959,205
<b>Electrical Equipment 1.0%</b>			
Vestas Wind Systems AS . . . . .	Denmark	169,868	12,859,164

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
STATEMENT OF INVESTMENTS

**Templeton Foreign VIP Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Electronic Equipment, Instruments &amp; Components 0.5%</b>			
<sup>b</sup> Landis+Gyr Group AG . . . . .	Switzerland	120,834	\$ 6,812,859
<b>Energy Equipment &amp; Services 1.3%</b>			
SBM Offshore NV . . . . .	Netherlands	1,147,815	16,998,525
<b>Entertainment 0.9%</b>			
NetEase Inc., ADR . . . . .	China	48,100	11,321,297
<b>Food &amp; Staples Retailing 1.1%</b>			
Seven & i Holdings Co. Ltd. . . . .	Japan	332,500	14,510,470
<b>Food Products 0.7%</b>			
Ezaki Glico Co. Ltd. . . . .	Japan	177,800	9,052,226
<b>Health Care Equipment &amp; Supplies 1.1%</b>			
Getinge AB, B . . . . .	Sweden	651,040	5,889,276
Shandong Weigao Group Medical Polymer Co. Ltd., H . . . . .	China	9,924,000	8,035,012
			13,924,288
<b>Health Care Providers &amp; Services 1.7%</b>			
Shanghai Pharmaceuticals Holding Co. Ltd., H . . . . .	China	5,083,800	10,335,751
Sinopharm Group Co. Ltd., H . . . . .	China	2,794,800	11,742,407
			22,078,158
<b>Household Durables 1.2%</b>			
Panasonic Corp. . . . .	Japan	1,770,700	16,004,155
<b>Industrial Conglomerates 2.8%</b>			
CK Hutchison Holdings Ltd. . . . .	Hong Kong	2,353,000	22,596,973
Siemens AG . . . . .	Germany	122,182	13,636,300
			36,233,273
<b>Insurance 2.6%</b>			
AXA SA . . . . .	France	722,428	15,609,860
China Life Insurance Co. Ltd., H . . . . .	China	8,349,000	17,741,825
			33,351,685
<b>Interactive Media &amp; Services 1.7%</b>			
<sup>a</sup> Baidu Inc., ADR . . . . .	China	138,230	21,923,278
<b>Life Sciences Tools &amp; Services 0.9%</b>			
<sup>a</sup> QIAGEN NV . . . . .	Netherlands	327,298	11,184,507
<b>Marine 0.5%</b>			
A.P. Moeller-Maersk AS, B . . . . .	Denmark	5,208	6,551,506
<b>Media 1.7%</b>			
SES SA, IDR . . . . .	Luxembourg	1,156,272	22,138,350
<b>Metals &amp; Mining 4.4%</b>			
Alamos Gold Inc., A . . . . .	Canada	3,063,752	11,029,507
Barrick Gold Corp. . . . .	Canada	843,220	11,417,199
Sumitomo Metal Mining Co. Ltd. . . . .	Japan	240,100	6,457,069
Wheaton Precious Metals Corp. . . . .	Canada	1,450,800	28,326,180
			57,229,955
<b>Multi-Utilities 2.2%</b>			
E.ON SE . . . . .	Germany	1,516,092	14,966,479
Veolia Environnement SA . . . . .	France	671,188	13,808,242
			28,774,721



FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
STATEMENT OF INVESTMENTS

**Templeton Foreign VIP Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Oil, Gas &amp; Consumable Fuels 11.2%</b>			
BP PLC . . . . .	United Kingdom	6,554,082	\$ 41,451,961
Cenovus Energy Inc. . . . .	Canada	1,082,702	7,614,886
Eni SpA. . . . .	Italy	1,507,144	23,809,692
Husky Energy Inc. . . . .	Canada	1,163,600	12,028,569
Kunlun Energy Co. Ltd. . . . .	China	6,034,600	6,396,422
Royal Dutch Shell PLC, A . . . . .	United Kingdom	16,803	494,452
Royal Dutch Shell PLC, B . . . . .	United Kingdom	1,253,971	37,419,559
Total SA . . . . .	France	306,006	16,191,708
			145,407,249
<b>Pharmaceuticals 12.4%</b>			
Astellas Pharma Inc. . . . .	Japan	1,323,300	16,921,578
Bayer AG . . . . .	Germany	215,217	14,968,732
Merck KGaA . . . . .	Germany	151,830	15,628,926
Novartis AG . . . . .	Switzerland	128,920	11,047,803
Roche Holding AG . . . . .	Switzerland	143,560	35,661,776
Sanofi . . . . .	France	370,668	32,133,663
<sup>b</sup> Takeda Pharmaceutical Co. Ltd. . . . .	Japan	298,300	10,083,955
<sup>a</sup> Teva Pharmaceutical Industries Ltd., ADR . . . . .	Israel	1,610,544	24,834,588
			161,281,021
<b>Real Estate Management &amp; Development 0.7%</b>			
Mitsui Fudosan Co. Ltd. . . . .	Japan	396,100	8,836,355
<b>Semiconductors &amp; Semiconductor Equipment 3.6%</b>			
Infineon Technologies AG . . . . .	Germany	590,665	11,826,616
NXP Semiconductors NV . . . . .	Netherlands	221,300	16,216,864
Taiwan Semiconductor Manufacturing Co. Ltd. . . . .	Taiwan	2,587,000	19,066,199
			47,109,679
<b>Specialty Retail 1.1%</b>			
Kingfisher PLC . . . . .	United Kingdom	5,347,092	14,149,175
<b>Technology Hardware, Storage &amp; Peripherals 4.7%</b>			
Quanta Computer Inc. . . . .	Taiwan	5,640,000	9,714,286
Samsung Electronics Co. Ltd. . . . .	South Korea	1,488,008	51,706,377
			61,420,663
<b>Trading Companies &amp; Distributors 0.9%</b>			
Travis Perkins PLC . . . . .	United Kingdom	856,731	11,690,244
<b>Wireless Telecommunication Services 2.3%</b>			
China Mobile Ltd. . . . .	China	1,821,000	17,522,808
Vodafone Group PLC, ADR . . . . .	United Kingdom	661,603	12,755,706
			30,278,514
<b>Total Common Stocks (Cost \$1,244,449,109)</b> . . . . .			1,243,868,905
<b>Short Term Investments 4.8%</b>			
<b>Money Market Funds (Cost \$49,866,794) 3.8%</b>			
<sup>c,d</sup> Institutional Fiduciary Trust Money Market Portfolio, 1.99% . . . . .	United States	49,866,794	49,866,794

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
STATEMENT OF INVESTMENTS

**Templeton Foreign VIP Fund** (continued)

	Country	Shares	Value
<b>Short Term Investments</b> (continued)			
<sup>e</sup> <b>Investments from Cash Collateral Received for Loaned Securities (Cost \$13,003,937) 1.0%</b>			
<b>Money Market Funds 1.0%</b>			
<sup>c,d</sup> Institutional Fiduciary Trust Money Market Portfolio, 1.99% . . . . .	United States	13,003,937	\$ 13,003,937
<b>Total Investments (Cost \$1,307,319,840) 100.5%</b> . . . . .			1,306,739,636
<b>Other Assets, less Liabilities (0.5)%</b> . . . . .			(6,589,831)
<b>Net Assets 100.0%</b> . . . . .			<u>\$1,300,149,805</u>

See Abbreviations on page TF-23.

<sup>a</sup>Non-income producing.

<sup>b</sup>A portion or all of the security is on loan at December 31, 2018. See Note 1(c).

<sup>c</sup>See Note 3(e) regarding investments in affiliated management investment companies.

<sup>d</sup>The rate shown is the annualized seven-day effective yield at period end.

<sup>e</sup>See Note 1(c) regarding securities on loan.

## Financial Statements

### Statement of Assets and Liabilities

December 31, 2018

	<b>Templeton Foreign VIP Fund</b>
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$1,244,449,109
Cost - Non-controlled affiliates (Note 3e) . . . . .	62,870,731
Value - Unaffiliated issuers* . . . . .	\$1,243,868,905
Value - Non-controlled affiliates (Note 3e) . . . . .	62,870,731
<b>Receivables:</b>	
Investment securities sold . . . . .	462,026
Capital shares sold . . . . .	393,781
Dividends . . . . .	7,583,556
European Union tax reclaims . . . . .	197,514
Due from custodian . . . . .	15,554
Other assets . . . . .	198
<b>Total assets</b> . . . . .	<b>1,315,392,265</b>
<b>Liabilities:</b>	
<b>Payables:</b>	
Capital shares redeemed . . . . .	419,063
Management fees . . . . .	883,600
Distribution fees . . . . .	539,223
Payable upon return of securities loaned . . . . .	13,019,491
Accrued expenses and other liabilities . . . . .	381,083
<b>Total liabilities</b> . . . . .	<b>15,242,460</b>
<b>Net assets, at value</b> . . . . .	<b>\$1,300,149,805</b>
<b>Net assets consist of:</b>	
Paid-in capital . . . . .	\$1,267,740,757
Total distributable earnings (loss) . . . . .	32,409,048
<b>Net assets, at value</b> . . . . .	<b>\$1,300,149,805</b>
<b>Class 1:</b>	
Net assets, at value . . . . .	\$ 114,783,691
Shares outstanding . . . . .	8,823,300
Net asset value and maximum offering price per share . . . . .	\$13.01
<b>Class 2:</b>	
Net assets, at value . . . . .	\$1,060,101,111
Shares outstanding . . . . .	83,220,336
Net asset value and maximum offering price per share . . . . .	\$12.74
<b>Class 4:</b>	
Net assets, at value . . . . .	\$ 125,265,003
Shares outstanding . . . . .	9,666,081
Net asset value and maximum offering price per share . . . . .	\$12.96

\*Includes securities loaned . . . . . \$ 12,482,451

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
FINANCIAL STATEMENTS

**Statement of Operations**

for the year ended December 31, 2018

	<b>Templeton Foreign VIP Fund</b>
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers . . . . .	\$ 41,948,958
Non-controlled affiliates (Note 3e) . . . . .	734,954
Interest:	
Unaffiliated issuers . . . . .	794
Income from securities loaned:	
Unaffiliated issuers (net of fees and rebates) . . . . .	260,475
Non-controlled affiliates (Note 3e) . . . . .	86,463
Total investment income . . . . .	<u>43,031,644</u>
Expenses:	
Management fees (Note 3a) . . . . .	12,166,862
Distribution fees: (Note 3c)	
Class 2 . . . . .	3,154,607
Class 4 . . . . .	522,991
Custodian fees (Note 4) . . . . .	170,899
Reports to shareholders . . . . .	297,645
Professional fees . . . . .	121,164
Trustees' fees and expenses . . . . .	11,468
Other . . . . .	<u>77,565</u>
Total expenses . . . . .	16,523,201
Expenses waived/paid by affiliates (Note 3e) . . . . .	<u>(231,514)</u>
Net expenses . . . . .	<u>16,291,687</u>
Net investment income . . . . .	<u>26,739,957</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	98,272,702
Foreign currency transactions . . . . .	<u>(503,966)</u>
Net realized gain (loss) . . . . .	<u>97,768,736</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	(367,715,204)
Translation of other assets and liabilities denominated in foreign currencies . . . . .	<u>(209,138)</u>
Net change in unrealized appreciation (depreciation) . . . . .	<u>(367,924,342)</u>
Net realized and unrealized gain (loss) . . . . .	<u>(270,155,606)</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$ (243,415,649)</u>

\*Foreign taxes withheld on dividends . . . . . \$ 4,078,798

**Statements of Changes in Net Assets**

	<b>Templeton Foreign VIP Fund</b>	
	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$ 26,739,957	\$ 31,019,303
Net realized gain (loss) . . . . .	97,768,736	(10,184,192)
Net change in unrealized appreciation (depreciation) . . . . .	(367,924,342)	263,520,898
Net increase (decrease) in net assets resulting from operations . . . . .	(243,415,649)	284,356,009
Distributions to shareholders: (Note 1e)		
Class 1 . . . . .	(3,961,619)	(3,928,195)
Class 2 . . . . .	(33,465,356)	(35,708,156)
Class 4 . . . . .	(3,521,973)	(2,623,801)
Total distributions to shareholders . . . . .	(40,948,948)	(42,260,152)
Capital share transactions: (Note 2)		
Class 1 . . . . .	(12,722,479)	1,154,617
Class 2 . . . . .	(102,793,664)	(225,298,981)
Class 4 . . . . .	(7,072,417)	(365,347,762)
Total capital share transactions . . . . .	(122,588,560)	(589,492,126)
Net increase (decrease) in net assets . . . . .	(406,953,157)	(347,396,269)
Net assets:		
Beginning of year . . . . .	1,707,102,962	2,054,499,231
End of year (Note 1e) . . . . .	\$1,300,149,805	\$1,707,102,962

## Notes to Financial Statements

### Templeton Foreign 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). Templeton Foreign VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2, and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

##### a. Financial Instrument Valuation

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

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

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

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. At December 31, 2018, a market event occurred resulting in a portion of the securities held by the Fund being valued using fair value procedures.

## Templeton Foreign VIP Fund (continued)

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. 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. 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.

### d. 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

## Templeton Foreign VIP Fund (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### d. Income and Deferred Taxes (continued)

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 December 31, 2018, 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.

#### e. 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. Dividend income is 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.

#### f. 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.

#### g. 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.

\*Effective during the current reporting period, it is no longer required to present certain line items in the Statements of Changes in Net Assets. The below prior period amounts affected by this change are shown as they were in the prior year Statements of Changes in Net Assets.



**Templeton Foreign VIP Fund** (continued)

For the year ended December 31, 2017, distributions to shareholders were as follows:

Distributions from net investment income :

Class 1 . . . . .	\$ (3,928,195)
Class 2 . . . . .	(35,708,156)
Class 4 . . . . .	(2,623,801)

For the year ended December 31, 2017, undistributed net investment income included in net assets was \$35,287,355.

**2. Shares of Beneficial Interest**

At December 31, 2018, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2018		2017	
	Shares	Amount	Shares	Amount
<b>Class 1 Shares:</b>				
Shares sold . . . . .	438,905	\$ 6,719,723	769,055	\$ 11,623,740
Shares issued in reinvestment of distributions . . . . .	263,056	3,961,619	267,406	3,928,195
Shares redeemed . . . . .	(1,543,257)	(23,403,821)	(965,539)	(14,397,318)
Net increase (decrease) . . . . .	(841,296)	\$ (12,722,479)	70,922	\$ 1,154,617
<b>Class 2 Shares:</b>				
Shares sold . . . . .	7,214,702	\$ 104,866,589	4,540,875	\$ 66,812,334
Shares issued in reinvestment of distributions . . . . .	2,265,765	33,465,356	2,478,012	35,708,156
Shares redeemed . . . . .	(16,372,436)	(241,125,609)	(22,468,600)	(327,819,471)
Net increase (decrease) . . . . .	(6,891,969)	\$(102,793,664)	(15,449,713)	\$(225,298,981)
<b>Class 4 Shares:</b>				
Shares sold . . . . .	1,564,942	\$ 23,205,250	1,442,499	\$ 21,238,967
Shares issued in reinvestment of distributions . . . . .	234,330	3,521,973	179,222	2,623,801
Shares redeemed . . . . .	(2,311,503)	(33,799,640)	(26,802,238)	(389,210,530)
Net increase (decrease) . . . . .	(512,231)	\$ (7,072,417)	(25,180,517)	\$(365,347,762)

**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
Templeton Investment Counsel, LLC (TIC)	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

**Templeton Foreign VIP Fund** (continued)

**3. Transactions with Affiliates** (continued)

**a. Management Fees**

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

Annualized Fee Rate	Net Assets
0.900%	Up to and including \$200 million
0.810%	Over \$200 million, up to and including \$700 million
0.775%	Over \$700 million, up to and including \$1.2 billion
0.750%	Over \$1.2 billion, up to and including \$1.3 billion
0.675%	Over \$1.3 billion, up to and including \$10 billion
0.655%	Over \$10 billion, up to and including \$15 billion
0.635%	Over \$15 billion, up to and including \$20 billion
0.615%	In excess of \$20 billion

For the year ended December 31, 2018, the gross effective investment management fee rate was 0.785% of the Fund's average daily net assets.

**b. Administrative Fees**

Under an agreement with TIC, FT Services provides administrative services to the Fund. The fee is paid by TIC 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 0.25% and 0.35% per year of its average daily net assets of Class 2 and Class 4, respectively. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

**d. Transfer Agent Fees**

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

**e. Investments in Affiliated Management Investment Companies**

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2018, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Investment Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
<b>Non-Controlled Affiliates</b>								
						Dividends		
Institutional Fiduciary Trust Money Market Portfolio, 1.99% . . . . .	25,636,178	316,370,754	(292,140,138)	49,866,794	\$49,866,794	\$ 734,954	\$ —	\$ —

**Templeton Foreign VIP Fund** (continued)

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Investment Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
<b>Non-Controlled Affiliates</b>								
						Income from securities loaned		
Institutional Fiduciary Trust Money Market Portfolio, 1.99% . . . . .	—	382,465,375	(369,461,438)	13,003,937	\$13,003,937	\$ 86,463	\$ —	\$ —
<b>Total Affiliated Securities</b> . . . . .					\$62,870,731	\$ 821,417	\$ —	\$ —

**4. Expense Offset Arrangement**

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2018, there were no credits earned.

**5. Income Taxes**

During the year ended December 31, 2018, the Fund utilized \$79,259,651 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2018 and 2017, was as follows:

	<u>2018</u>	<u>2017</u>
Distributions paid from ordinary income . . . . .	\$40,948,948	\$42,260,152

At December 31, 2018, the cost of investments and net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments . . . . .	\$1,311,349,818
Unrealized appreciation . . . . .	\$ 171,756,588
Unrealized depreciation . . . . .	(176,366,770)
Net unrealized appreciation (depreciation) . . . . .	\$ (4,610,182)
Distributable earnings:	
Undistributed ordinary income . . . . .	\$ 24,571,148
Undistributed long term capital gains . . . . .	11,505,161
Total distributable earnings . . . . .	\$ 36,076,309

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of passive foreign investment company shares.

**6. Investment Transactions**

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2018, aggregated \$319,755,652 and \$482,495,898, respectively.

At December 31, 2018, in connection with securities lending transactions, the Fund loaned equity investments and received \$13,019,491 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.

**Templeton Foreign VIP Fund** (continued)

**7. Concentration of Risk**

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

**8. Credit Facility**

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 8, 2019. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 8, 2019, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 7, 2020, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2018, the Fund did not use the Global Credit Facility.

**9. 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.

### Templeton Foreign VIP Fund (continued)

A summary of inputs used as of December 31, 2018, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments: <sup>b</sup>				
Banks . . . . .	\$ 191,227,608	\$ 13,054,472	\$ —	\$ 204,282,080
Capital Markets . . . . .	—	16,550,804	—	16,550,804
Construction Materials . . . . .	14,022,961	7,794,639	—	21,817,600
Diversified Telecommunication Services . . . . .	44,871,817	13,555,892	—	58,427,709
Electrical Equipment . . . . .	—	12,859,164	—	12,859,164
Electronic Equipment, Instruments & Components . . . . .	—	6,812,859	—	6,812,859
Health Care Equipment & Supplies . . . . .	8,035,012	5,889,276	—	13,924,288
Industrial Conglomerates . . . . .	22,596,973	13,636,300	—	36,233,273
Life Sciences Tools & Services . . . . .	—	11,184,507	—	11,184,507
Marine . . . . .	—	6,551,506	—	6,551,506
Multi-Utilities . . . . .	13,808,242	14,966,479	—	28,774,721
Oil, Gas & Consumable Fuels . . . . .	121,597,557	23,809,692	—	145,407,249
Pharmaceuticals . . . . .	83,973,784	77,307,237	—	161,281,021
Semiconductors & Semiconductor Equipment . . . . .	35,283,063	11,826,616	—	47,109,679
All Other Equity Investments . . . . .	472,652,445	—	—	472,652,445
Short Term Investments . . . . .	62,870,731	—	—	62,870,731
Total Investments in Securities . . . . .	\$ 1,070,940,193	\$ 235,799,443	\$ —	\$ 1,306,739,636

<sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

<sup>b</sup>Includes common stocks.

## 10. Subsequent Events

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

## Abbreviations

### Selected Portfolio

**ADR** American Depositary Receipt

**IDR** International Depositary Receipt

## Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Templeton Foreign VIP Fund

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Foreign VIP Fund (the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodian and transfer agent. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 15, 2019

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

**Tax Information (unaudited)****Templeton Foreign VIP Fund**

At December 31, 2018, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code. This election will allow shareholders of record as of the 2019 distribution date, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

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## Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. 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](http://www.franklintempletondatasources.com) for additional data provider information.

**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. 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.

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

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

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

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

**Lipper Multi-Sector Income Funds Classification Average** is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/18, there were 320 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 Equity Income Funds Classification Average** is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the 12-month period ended 12/31/18, there were 81 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

**Lipper VIP General U.S. Government Funds Classification Average** is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/18, there were 56 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 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** captures large- and mid-capitalization representation across 22 of 23 developed markets countries (excluding the U.S.) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

**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 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 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 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 lower price-to-book ratios and lower forecasted growth values.

**Russell 2500™ Index** is market capitalization weighted and measures performance of the smallest companies in the Russell 3000® Index, which represent a modest amount of the Russell 3000® Index's total market capitalization.

**Russell 3000® Growth Index** is market capitalization weighted and measures performance of those Russell 3000® Index companies with 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 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.

## Board Members and Officers

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

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Harris J. Ashton (1932)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	136	Bar-S Foods (meat packing company) (1981-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
<b>Terrence J. Checki (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	112	Hess Corporation (exploration of oil and gas) (2014-present).
<b>Principal Occupation During at Least the Past 5 Years:</b> Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the Board of Trustees of the Economic Club of New York (2013-present); member of the Board of Trustees of the Foreign Policy Association (2005-present) and member of various other boards of trustees and advisory boards; and <b>formerly</b> , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
<b>Mary C. Choksi (1950)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	136	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present)
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
<b>Edith E. Holiday (1952)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	136	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director or Trustee of various companies and trusts; and <b>formerly</b> , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison—United States Treasury Department (1988-1989).				
<b>J. Michael Luttig (1954)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	136	Boeing Capital Corporation (aircraft financing) (2006-2013).
<b>Principal Occupation During at Least the Past 5 Years:</b> Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and <b>formerly</b> , Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Larry D. Thompson (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	136	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).

### Principal Occupation During at Least the Past 5 Years:

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015; previously 2011-2012); and **formerly**, Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

<b>John B. Wilson (1959)</b> One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	112	None
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### Principal Occupation During at Least the Past 5 Years:

President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing) (2002-present); Senior Advisor, McKinsey & Co. (consulting) (2017-present); serves on private and non-profit boards; and **formerly**, President, Staples International and Head of Global Transformation (office supplies) (2012-2016); Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

## Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	150	None

### Principal Occupation During at Least the Past 5 Years:

Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 42 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

<b>**Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, and Trustee	Chairman of the Board since 2013, and Trustee since 1988	136	None
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### Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 40 of the investment companies in Franklin Templeton Investments.

<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
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### Principal Occupation During at Least the Past 5 Years:

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments.

**Interested Board Members and Officers** (continued)

<b>Name, Year of Birth and Address</b>	<b>Position</b>	<b>Length of Time Served</b>	<b>Number of Portfolios in Fund Complex Overseen by Board Member*</b>	<b>Other Directorships Held During at Least the Past 5 Years</b>
<b>Gaston Gardey (1967)</b> One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 28 of the investment companies in Franklin Templeton Investments.				
<b>Aliya S. Gordon (1973)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton Investments; and officer of 44 of the investment companies in Franklin Templeton Investments.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since January 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 44 of the investment companies in Franklin Templeton Investments; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton Investments (2009-2017).				
<b>Robert Lim (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				
<b>Kimberly H. Novotny (1972)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 44 of the investment companies in Franklin Templeton Investments.				
<b>Edward D. Perks (1970)</b> One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since December 2018	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> President and Director, Franklin Advisers, Inc.; and officer of nine of the investment companies in Franklin Templeton Investments (since December 2018).				

**Interested Board Members and Officers** (continued)

<b>Name, Year of Birth and Address</b>	<b>Position</b>	<b>Length of Time Served</b>	<b>Number of Portfolios in Fund Complex Overseen by Board Member*</b>	<b>Other Directorships Held During at Least the Past 5 Years</b>
<b>Robert C. Rosselot (1960)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 44 of the investment companies in Franklin Templeton Investments; and <b>formerly</b> , Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel, Franklin Templeton Investments; and officer of 44 of the investment companies in Franklin Templeton Investments.				
<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments.				
<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since January 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				

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

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

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

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

**The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.**

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

# Shareholder Information

## Board Approval of Investment Management Agreements

### FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

#### Franklin Founding Funds Allocation VIP Fund (Fund)

At a meeting held on October 23, 2018 (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 (i) a new investment management agreement between Franklin Advisers, Inc. (FAV) and the Trust, on behalf of the Fund, and (ii) new investment sub-advisory agreements (each a Sub-Advisory Agreement) between FAV and each of Franklin Templeton Institutional, LLC and Templeton Global Advisors Limited (each a Sub-Adviser), affiliates of FAV, on behalf of the Fund (each a Management Agreement) for an initial two year period effective on or about May 1, 2019, subject to prior approval of the shareholders of the Fund. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve each new Management Agreement. FAV and the Sub-Advisers are each referred to herein as a Manager.

The Board reviewed and considered information provided by each Manager at the Meeting. The Board also considered a form of Management Agreement and Sub-Advisory Agreement, which have terms that are consistent with the current investment management agreements and investment sub-advisory agreements used for other funds in the Franklin Templeton Investments (FTI) fund complex. The Board further considered the code of ethics applied to the employees of each Manager and compliance policies and procedures applied to the employees of each Manager. The Board noted that the Fund currently maintains a static allocation to underlying funds and so does not currently have an investment manager, nor pay investment management fees. The Board discussed with FAV the reasons for its request that the Board approve the new Management Agreements, including the proposed repositioning of the Fund from a fund-of-funds with a static allocation strategy to a direct investment fund with an actively managed dynamic allocation strategy. The Board noted FAV’s explanation that, as currently structured, the Fund generally does not meet the eligibility criteria for insurance companies’ living benefits products. The Board also noted that the Fund’s assets have declined substantially, from \$4.2 billion as of

August 31, 2012, to \$923 million as of August 31, 2018. The Board further noted management’s belief that the proposed repositioning will enable the Fund to be more widely distributed across insurance company platforms, reduce the volatility of the Fund’s returns and reduce the Fund’s overall expenses.

The Board reviewed and considered all of the factors it deemed relevant in approving each new Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services to be provided by each Manager; (ii) the investment performance of the Fund; (iii) the costs of the services to be provided to the Fund; and (iv) the extent to which economies of scale are expected to be realized. The Board noted management’s proposal to request shareholder approval to allow the Fund to use a manager-of-manager structure as many other funds in the FTI fund complex have in place. The Board also noted that the Fund’s name would be changed to the “Franklin Allocation VIP Fund” to better reflect the repositioned strategy and structure of the Fund. In determining that the terms of each Management Agreement are fair and reasonable, the Board noted the level of services to be provided under each Management Agreement and the anticipated decrease in the overall fees and expenses of the Fund.

#### Nature, Extent and Quality of Services

The Board considered information regarding the nature, extent and quality of investment management services to be provided by each Manager and its affiliates to the Fund and its shareholders. In particular, the Board took into account management’s belief that the proposed repositioning, including the change from a static allocation fund-of-funds to a direct investment allocation fund, will enable the Fund to be more widely distributed across insurance company platforms and reduce the Fund’s overall expenses. The Board noted each Manager’s experience as manager of other funds and accounts, including those within the FTI organization; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of each Manager and each Manager’s capabilities, as demonstrated by, among other things, their 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 FTI organization.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be

provided by each Manager and its affiliates to the Fund and its shareholders.

### **Fund Performance**

The Board reviewed and considered the performance results of the Fund over various time periods ended August 31, 2018. The Board considered the performance returns for the 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 the Performance Universe. The Board also considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance results is below.

The Performance Universe for the 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 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 focus, the Board concluded that the Fund's performance was satisfactory, but noted that it did not consider the current performance of the Fund to be a material factor in its consideration of the Management Agreements given the proposed repositioning and restructuring of the Fund.

### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding the Fund's proposed 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 considered the proposed total expense ratio and, separately, the proposed contractual management fee rate, without the effect of fee waivers (Management Rate), if any, of the 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 as proposed for 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, and the proposed total expense ratio was shown for Class 4 of the Fund and an actual total expense ratio was shown for Class B, Class 2, Class II, Service Class and Class S of the other funds in the Expense Group. The Board received a description of the methodology used by Broadridge to select the mutual funds included in the Expense Group.

The Expense Group for the Fund included the Fund and seven other mixed-asset target allocation growth funds underlying VIPs. The Board noted that the Management Rate and proposed total expense ratio were below the medians of its Expense Group. The Board concluded that the Management Rate to be charged to the Fund is reasonable. In doing so, the Board noted that the Fund's proposed total expense ratio reflected a fee waiver from management and that the Sub-Advisers would be paid by FAV out of the management fee FAV would receive from the Fund.

### **Profitability**

The Board then noted that FAV and its affiliates could not report any financial results from their relationships with the Fund because the Fund does not currently have an investment manager, nor pay investment management fees, and thus, the Board could not evaluate FAV's or its affiliates' profitability with respect to the Fund. The Board noted that investment management fees are currently paid by the underlying funds in which the Fund invests.

### **Economies of Scale**

The Board considered the extent to which FAV and its affiliates may realize economies of scale, if any, and whether the Fund's proposed management fee structure reflects any economies of scale for the benefit of shareholders. The Board noted that FAV (and its affiliates) could not report on any potential economies of scale at this time given the repositioning and restructuring of the Fund, but would be able to do so in connection with the Fund's annual contract renewal process.

### **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 each Management Agreement for an initial two year period effective



on or about May 1, 2019, subject to prior approval of the shareholders of the Fund.

## **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](http://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](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://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 on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at [sec.gov](http://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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**Annual Report**  
**Franklin Templeton Variable Insurance Products Trust**

**Investment Managers**

Franklin Advisers, Inc.  
Franklin Advisory Services, LLC  
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.

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.