

ANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

December 31, 2020



FRANKLIN
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Franklin Templeton Variable Insurance Products Trust Annual Report

Table of Contents

Important Notes to Performance Information	i
Franklin Income VIP Fund	FI-1
Index Descriptions	I-1
Board Members and Officers	BOD-1
Shareholder Information	SI-1

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

Not FDIC Insured	May Lose Value	No Bank Guarantee
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Important Notes to Performance Information

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

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

Franklin Income VIP Fund

This annual report for Franklin Income VIP Fund covers the fiscal year ended December 31, 2020.

Class 1 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
1	
1-Year	+0.97%
5-Year	+7.22%
10-Year	+6.26%

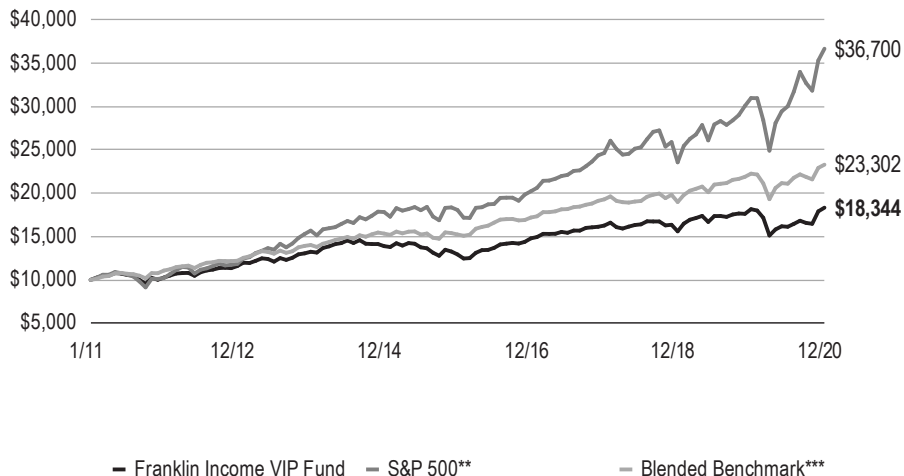
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/21. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

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 Standard & Poor's® 500 Index (S&P 500®) and the Fund's Blended Benchmark. 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.

***Source: FactSet. The Fund's Blended Benchmark was calculated internally and was composed of 50% MSCI USA High Dividend Yield Index + 25% Bloomberg Barclays U.S. High Yield Very Liquid Index + 25% Bloomberg Barclays U.S. Aggregate Bond Index. Please see Index Descriptions following the Fund Summaries.

Franklin Income VIP Fund

Fund Goal and Main Investments

The Fund seeks to maximize income, while maintaining prospects for capital appreciation. Under normal market conditions, the Fund invests in a diversified portfolio of debt and equity securities.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. High-yield debt securities are generally considered predominantly speculative by the applicable rating agencies as their issuers are more likely to encounter financial difficulties because they may be more highly leveraged, or because of other considerations. The Fund's share price and yield will be affected by interest rate movements. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. Foreign investing typically involves more risks than investing in U.S. securities, including risks related to currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation and great price volatility. 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 primary benchmark, the Standard & Poor's® 500 Index, posted a +18.40% total return.¹ The Fund's secondary benchmark, the Blended Benchmark, posted a +4.64% total return.²

1. Source: Morningstar.

2. Source: FactSet. The Fund's Blended Benchmark was calculated internally and was composed of 50% MSCI USA High Dividend Yield Index + 25% Bloomberg Barclays U.S. High Yield Very Liquid Index + 25% Bloomberg Barclays U.S. Aggregate Bond Index.

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

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

Portfolio Composition

12/31/20

	% of Total Net Assets
Health Care Providers & Services	9.9%
Banks	9.3%
Pharmaceuticals	9.1%
Diversified Financial Services	7.0%
Electric Utilities	6.5%
Oil, Gas & Consumable Fuels	6.3%
Semiconductors & Semiconductor Equipment	5.6%
Multi-Utilities	3.6%
Beverages	3.0%
Media	2.9%
Diversified Telecommunication Services	2.5%
Aerospace & Defense	2.5%
Capital Markets	1.8%
Metals & Mining	1.6%
Wireless Telecommunication Services	1.6%
Other	23.3%
Short-Term Investments & Other Net Assets	3.5%

Economic and Market Overview

The U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, advanced during the 12 months ended December 31, 2020. The period was defined by the economic and social disruption that began in the wake of the novel coronavirus (COVID-19) pandemic, which caused significant volatility in U.S. bond markets. In late February, the U.S. bond market began to anticipate the adverse economic impact of business shutdowns and social distancing measures. Higher-quality, longer-term bonds rallied, with the 10-year U.S. Treasury yield (which moves inversely to price) falling in February and March, while riskier, lower-rated corporate bonds declined sharply. U.S. Federal Reserve (Fed) action led to a recovery in the corporate bond market beginning in late March, which accelerated in subsequent months as many businesses reopened. Corporate bonds, particularly high-yield bonds, also benefited from the resolution of the U.S. election and several promising vaccine results late in the reporting period.

The Fed enacted two emergency rate cuts in March 2020, lowering the federal funds target rate to a range of 0.00%–0.25%. In addition, the Fed announced unlimited, open-ended purchasing of government-backed and corporate

bonds as necessary to help keep markets functioning. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded the Fed's 2% target for some time.

U.S. Treasury bonds, as measured by the Bloomberg Barclays U.S. Treasury Index, posted positive total returns during the period. The 10-year U.S. Treasury yield declined significantly during the reporting period, reaching a new record closing low in early August 2020. Bond purchasing by the Fed and robust demand for investments perceived as safe drove the U.S. Treasury market. Mortgage-backed securities (MBS), as measured by the Bloomberg Barclays MBS Index, posted positive total returns for the period amid Fed support, though lower interest rates accelerated prepayments from mortgage refinancing, restricting further gains.

U.S. corporate bond performance varied somewhat based on credit rating, as many investors became concerned about the potential credit downgrades of some companies. Total returns for investment-grade corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate Bond Index, exceeded total returns for high-yield corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index.

Investment Strategy

We search for undervalued or out-of-favor securities we believe offer opportunities for income today and significant growth tomorrow. In analyzing corporate debt and equity securities, we consider such factors as a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage and earnings prospects; the experience and strength of the company's management; changing financial condition and market recognition of the change; sensitivity to changes in interest rates and business conditions; and debt maturity schedules and borrowing requirements. When choosing investments for the Fund, we apply a bottom-up, value oriented, long-term approach, focusing on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. Our investment process generally includes an assessment of the potential impacts of any material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company.

Top Five Equity Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
JPMorgan Chase & Co. <i>Banks, United States</i>	3.0%
Southern Co. (The) <i>Electric Utilities, United States</i>	2.2%
Chevron Corp. <i>Oil, Gas & Consumable Fuels, United States</i>	2.0%
Exxon Mobil Corp. <i>Oil, Gas & Consumable Fuels, United States</i>	1.8%
Bank of America Corp. <i>Banks, United States</i>	1.7%

Manager's Discussion

The Fund underperformed during the 12-month period, driven by weak performance across fixed income holdings relative to the Fund's benchmark. Although high dividend paying stocks underperformed the broader equity market over the course of the year, the Fund's equity positions outperformed the benchmark, with the largest driver of fixed income returns in the market coming from the historic decline in U.S. Treasury yields, as evidenced by 10-year yields moving from 1.92% at the start of the period to 0.93% at period-end, with a low of 0.52% in August 2020.

Fixed income holdings benefited from the sharp decline in interest rates during the period and, while credit spreads widened materially during the immediate response to the global pandemic, the historic accommodation in the form of monetary and fiscal policy intervention calmed markets and led to substantial spread tightening by period-end. This trend was most apparent in the corporate credit markets.

Health care and communication services bonds were the largest positive sector contributors relative to the Fund's benchmark during the period. In health care, hospital and outpatient service providers Community Health Systems and Tenet Healthcare led fixed income returns in the portfolio, with bonds of pharmaceutical companies Endo International and Bausch Health also providing strong contributions. On the communication services side, T-Mobile/Sprint bonds were meaningful contributors that benefited from the consummation of their corporate combination.

Energy sector corporate bond holdings were weak, especially the holdings of Chesapeake Energy and HighPoint Resources, which were impacted by global commodity oversupply and weak demand as a result of the pandemic. Outside of the energy sector, health care company Mallinckrodt was a meaningful detractor, as the company navigated through ongoing litigation. Additionally,

24 Hour Fitness in the consumer discretionary sector was a notable detractor due to its business model being impacted by the pandemic.

Although our U.S. Treasury and securitized holdings benefited absolute performance during periods of elevated market volatility, the generally shorter duration of our positioning lagged the broader market move amid the sharp decline in longer-term interest rates.

Top contributors to performance relative to our benchmark within the equity asset class included holdings in the information technology (IT), communication services, industrials and materials sectors.

Top IT sector contributors to performance during the period included semiconductor companies Texas Instruments and Broadcom. Honeywell International and United Parcel Services in the industrials sector and Rio Tinto in the materials sector also helped pace equity returns during the period. The Fund used equity index put options during the period, which also generated gains.

The energy and financials sectors were the leading detractors on the equity side of the portfolio during the reporting period. Energy detractors included producers Occidental Petroleum and Royal Dutch Shell as well as oil field service players Halliburton and Weatherford International, which were negatively impacted by weak commodity prices. Wells Fargo was a key detractor in the financials portion of the equity portfolio.

Top Five Fixed Income Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
CHS/Community Health Systems Inc Health Care Providers & Services, United States	4.8%
U.S. Treasury Notes Diversified Financial Services, United States	4.1%
GNMA II, Single-family, 30 Year Diversified Financial Services, United States	2.5%
Tenet Healthcare Corp Health Care Providers & Services, United States	2.4%
DISH DBS Corp Media, United States	1.3%

Thank you for your participation in Franklin Income 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, 2020, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Class 1 Fund Expenses

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

Actual Fund Expenses

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

Hypothetical Example for Comparison with Other 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 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
1	\$1,000	\$1,137.40	\$2.49	\$1,022.80	\$2.36	0.46%

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 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin Income VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$16.52	\$15.26	\$16.72	\$15.87	\$14.64
Income from investment operations ^a :					
Net investment income ^b	0.59	0.75	0.71	0.69	0.67
Net realized and unrealized gains (losses)	(0.54)	1.68	(1.35)	0.87	1.34
Total from investment operations	0.05	2.43	(0.64)	1.56	2.01
Less distributions from:					
Net investment income	(0.91)	(0.91)	(0.82)	(0.71)	(0.78)
Net realized gains	(0.01)	(0.26)	—	—	—
Total distributions	(0.92)	(1.17)	(0.82)	(0.71)	(0.78)
Net asset value, end of year	\$15.65	\$16.52	\$15.26	\$16.72	\$15.87
Total return ^c	0.97%	16.42%	(4.09)%	9.94%	14.33%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.47%	0.46%	0.47%	0.47%	0.47%
Expenses net of waiver and payments by affiliates ^d	0.46%	0.45%	0.45%	0.45%	0.44%
Net investment income	3.96%	4.38%	4.33%	4.22%	4.47%
Supplemental data					
Net assets, end of year (000's)	\$306,641	\$309,330	\$612,657	\$735,149	\$696,227
Portfolio turnover rate	45.93%	25.16%	43.22%	20.96%	39.03%

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

^bBased on average daily shares outstanding.

^cTotal 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.

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

Franklin Income VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$15.91	\$14.74	\$16.17	\$15.38	\$14.20
Income from investment operations ^a :					
Net investment income ^b	0.53	0.64	0.65	0.63	0.61
Net realized and unrealized gains (losses)	(0.53)	1.66	(1.30)	0.83	1.31
Total from investment operations	—	2.30	(0.65)	1.46	1.92
Less distributions from:					
Net investment income	(0.86)	(0.87)	(0.78)	(0.67)	(0.74)
Net realized gains	(0.01)	(0.26)	—	—	—
Total distributions	(0.87)	(1.13)	(0.78)	(0.67)	(0.74)
Net asset value, end of year	\$15.04	\$15.91	\$14.74	\$16.17	\$15.38
Total return ^c	0.69%	16.06%	(4.30)%	9.67%	14.02%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.72%	0.71%	0.72%	0.72%	0.72%
Expenses net of waiver and payments by affiliates ^d	0.71%	0.70%	0.70%	0.70%	0.69%
Net investment income	3.73%	4.13%	4.08%	3.97%	4.22%
Supplemental data					
Net assets, end of year (000's)	\$3,852,709	\$4,318,156	\$4,086,652	\$5,041,498	\$5,088,556
Portfolio turnover rate	45.93%	25.16%	43.22%	20.96%	39.03%

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

^bBased on average daily shares outstanding.

^cTotal 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.

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

Franklin Income VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$16.32	\$15.08	\$16.53	\$15.71	\$14.49
Income from investment operations ^a :					
Net investment income ^b	0.53	0.64	0.64	0.62	0.61
Net realized and unrealized gains (losses)	(0.54)	1.71	(1.33)	0.85	1.33
Total from investment operations	(0.01)	2.35	(0.69)	1.47	1.94
Less distributions from:					
Net investment income	(0.85)	(0.85)	(0.76)	(0.65)	(0.72)
Net realized gains	(0.01)	(0.26)	—	—	—
Total distributions	(0.86)	(1.11)	(0.76)	(0.65)	(0.72)
Net asset value, end of year	\$15.45	\$16.32	\$15.08	\$16.53	\$15.71
Total return ^c	0.58%	16.05%	(4.42)%	9.55%	13.87%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.82%	0.81%	0.82%	0.82%	0.82%
Expenses net of waiver and payments by affiliates ^d	0.81%	0.80%	0.80%	0.80%	0.79%
Net investment income	3.62%	4.03%	3.98%	3.87%	4.12%
Supplemental data					
Net assets, end of year (000's)	\$302,474	\$323,582	\$294,700	\$335,217	\$309,935
Portfolio turnover rate	45.93%	25.16%	43.22%	20.96%	39.03%

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

^bBased on average daily shares outstanding.

^cTotal 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.

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

Statement of Investments, December 31, 2020

Franklin Income VIP Fund

	Country	Shares	Value
Common Stocks 48.2%			
Aerospace & Defense 1.2%			
Lockheed Martin Corp.	United States	90,000	\$31,948,200
Raytheon Technologies Corp.	United States	300,000	21,453,000
			53,401,200
Air Freight & Logistics 0.8%			
United Parcel Service, Inc., B	United States	217,700	36,660,680
Automobiles 0.6%			
General Motors Co.	United States	600,000	24,984,000
Banks 7.4%			
Bank of America Corp.	United States	2,549,110	77,263,525
^a Barclays plc	United Kingdom	12,500,000	25,078,006
Citigroup, Inc.	United States	500,000	30,830,000
JPMorgan Chase & Co.	United States	975,000	123,893,250
Truist Financial Corp.	United States	755,000	36,187,150
US Bancorp	United States	800,000	37,272,000
			330,523,931
Beverages 3.0%			
Coca-Cola Co. (The)	United States	1,060,000	58,130,400
PepsiCo, Inc.	United States	500,000	74,150,000
			132,280,400
Capital Markets 1.3%			
Morgan Stanley	United States	830,000	56,879,900
Chemicals 1.0%			
Air Products and Chemicals, Inc.	United States	70,000	19,125,400
BASF SE	Germany	325,000	25,689,921
			44,815,321
Diversified Telecommunication Services 2.0%			
BCE, Inc.	Canada	466,000	19,938,983
Verizon Communications, Inc.	United States	1,200,000	70,500,000
			90,438,983
Electric Utilities 4.7%			
American Electric Power Co., Inc.	United States	450,000	37,471,500
Duke Energy Corp.	United States	710,000	65,007,600
Edison International	United States	550,000	34,551,000
Southern Co. (The)	United States	1,200,000	73,716,000
			210,746,100
Energy Equipment & Services 0.1%			
^a Weatherford International plc.	United States	750,000	4,500,000
Equity Real Estate Investment Trusts (REITs) 0.3%			
Host Hotels & Resorts, Inc.	United States	1,000,000	14,630,000
Health Care Providers & Services 1.6%			
^a Community Health Systems, Inc.	United States	1,000,000	7,430,000
CVS Health Corp.	United States	920,000	62,836,000
			70,266,000
Household Products 1.6%			
Procter & Gamble Co. (The)	United States	500,000	69,570,000
Industrial Conglomerates 1.4%			
Honeywell International, Inc.	United States	300,000	63,810,000

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Insurance 1.4%			
MetLife, Inc.	United States	1,335,108	\$62,683,321
IT Services 0.3%			
International Business Machines Corp.	United States	100,000	12,588,000
Machinery 0.5%			
Cummins, Inc.	United States	100,000	22,710,000
Media 0.6%			
Comcast Corp., A	United States	500,000	26,200,000
Metals & Mining 1.3%			
Rio Tinto plc, ADR.	Australia	800,000	60,176,000
Multi-Utilities 2.6%			
Dominion Energy, Inc.	United States	906,638	68,179,178
DTE Energy Co.	United States	100,000	12,141,000
Sempra Energy.	United States	275,000	35,037,750
			115,357,928
Oil, Gas & Consumable Fuels 4.9%			
BP plc, ADR	United Kingdom	550,000	11,286,000
Chevron Corp.	United States	1,050,000	88,672,500
Exxon Mobil Corp.	United States	2,000,000	82,440,000
^b Royal Dutch Shell plc, ADR, A.	Netherlands	450,000	15,813,000
^b TOTAL SE, ADR	France	500,000	20,955,000
			219,166,500
Personal Products 0.3%			
Unilever plc.	United Kingdom	250,000	14,994,515
Pharmaceuticals 5.2%			
AstraZeneca plc	United Kingdom	455,000	45,372,857
Bristol-Myers Squibb Co.	United States	1,100,000	68,233,000
Johnson & Johnson	United States	400,000	62,952,000
Merck & Co., Inc.	United States	675,000	55,215,000
			231,772,857
Road & Rail 0.8%			
Union Pacific Corp.	United States	180,000	37,479,600
Semiconductors & Semiconductor Equipment 2.4%			
Analog Devices, Inc.	United States	100,000	14,773,000
Intel Corp.	United States	500,000	24,910,000
Texas Instruments, Inc.	United States	400,000	65,652,000
			105,335,000
Software 0.1%			
Oracle Corp.	United States	38,400	2,484,096
Specialty Retail 0.2%			
Home Depot, Inc. (The).	United States	32,000	8,499,840
Tobacco 0.6%			
Philip Morris International, Inc.	United States	350,000	28,976,500
Total Common Stocks (Cost \$1,693,704,437)			2,151,930,672
^cEquity-Linked Securities 8.5%			
Aerospace & Defense 0.9%			
^d Societe Generale SA into Raytheon Technologies Corp., 144A, 8%, 6/01/21	United States	548,000	38,581,521

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Equity-Linked Securities (continued)			
Biotechnology 0.8%			
^d Goldman Sachs International Bank into AbbVie, Inc., 144A, 10%, 7/22/21	United States	348,000	\$36,661,189
Communications Equipment 0.5%			
^d Credit Suisse AG into Cisco Systems, Inc., 144A, 10%, 6/01/21	United States	508,000	22,641,279
Energy Equipment & Services 0.2%			
^d Societe Generale SA into Schlumberger Ltd., 144A, 9%, 2/01/21	United States	429,000	9,755,134
Internet & Direct Marketing Retail 0.6%			
^d JPMorgan Chase Bank NA into Amazon.com, Inc., 144A, Reg S, 9.5%, 12/07/21	United States	8,000	25,625,259
IT Services 0.5%			
^d Credit Suisse AG into International Business Machines Corp., 144A, 7.5%, 2/22/21	United States	160,000	20,319,414
Media 0.4%			
^d Barclays Bank plc into Comcast Corp., 144A, 9%, 4/28/21	United States	408,000	17,866,089
Pharmaceuticals 1.3%			
^d Credit Suisse AG into Pfizer, Inc., 144A, 8%, 8/27/21	United States	1,642,000	60,389,989
Semiconductors & Semiconductor Equipment 1.6%			
^d Royal Bank of Canada into Analog Devices, Inc., 144A, 8.5%, 9/10/21	United States	270,000	35,838,301
^d Royal Bank of Canada into Intel Corp., 144A, 8.5%, 12/14/21	United States	782,000	37,725,539
			73,563,840
Software 0.4%			
^d Citigroup Global Markets Holdings, Inc. into Microsoft Corp., 144A, 8%, 9/24/21	United States	80,000	17,792,589
Specialty Retail 0.8%			
^d Royal Bank of Canada into Home Depot, Inc. (The), 144A, 8.5%, 4/07/21	United States	151,500	36,325,481
Technology Hardware, Storage & Peripherals 0.5%			
^d BNP Paribas Issuance BV into Apple, Inc., 144A, 10%, 12/22/21	United States	164,000	21,280,673
Total Equity-Linked Securities (Cost \$368,655,861)			380,802,457
Convertible Preferred Stocks 4.8%			
Capital Markets 0.1%			
^b KKR & Co., Inc., 6%, C	United States	85,000	5,123,800
Electric Utilities 1.8%			
American Electric Power Co., Inc., 6.125%	United States	400,000	20,040,000
NextEra Energy, Inc., 5.279%	United States	400,000	20,336,000
NextEra Energy, Inc., 6.219%	United States	230,200	11,825,374
Southern Co. (The), 6.75%, 2019	United States	500,000	25,950,000
			78,151,374
Multi-Utilities 1.0%			
DTE Energy Co., 6.25%	United States	500,000	24,070,000
^b Sempra Energy, 6.75%, B	United States	200,000	20,746,000
			44,816,000
Semiconductors & Semiconductor Equipment 1.6%			
Broadcom, Inc., 8%, A	United States	50,000	71,123,500

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Thriffs & Mortgage Finance 0.3%			
^a FNMA, 5.375%	United States	475	\$14,843,750
Total Convertible Preferred Stocks (Cost \$208,919,128)			214,058,424
Preferred Stocks 0.2%			
Banks 0.2%			
JPMorgan Chase & Co., 6%, EE	United States	261,924	7,459,596
Total Preferred Stocks (Cost \$6,548,100)			7,459,596
		Principal Amount^f	
Convertible Bonds 0.3%			
Airlines 0.3%			
Southwest Airlines Co., Senior Note, 1.25%, 5/01/25	United States	8,500,000	12,388,750
Total Convertible Bonds (Cost \$7,960,937)			12,388,750
Corporate Bonds 27.1%			
Aerospace & Defense 0.4%			
Raytheon Technologies Corp., Senior Note, 3.95%, 8/16/25	United States	15,000,000	17,207,509
Automobiles 0.8%			
Ford Motor Co., Senior Note, 4.346%, 12/08/26	United States	13,500,000	14,396,940
General Motors Co., Senior Bond, 5.15%, 4/01/38	United States	16,000,000	19,238,189
			33,635,129
Banks 1.7%			
Bank of America Corp.,			
^e AA, Junior Sub. Bond, 6.1% to 3/17/25, FRN thereafter, Perpetual	United States	8,000,000	9,069,960
^e X, Junior Sub. Bond, 6.25% to 9/05/24, FRN thereafter, Perpetual	United States	6,000,000	6,659,575
Senior Bond, 3.419% to 12/20/27, FRN thereafter, 12/20/28 . . .	United States	10,000,000	11,313,617
Citigroup, Inc., Sub. Bond, 4.125%, 7/25/28	United States	18,500,000	21,647,222
^e JPMorgan Chase & Co.,			
^f I, Junior Sub. Bond, FRN, 3.684%, (3-month USD LIBOR +			
3.47%), Perpetual	United States	19,559,000	19,424,630
R, Junior Sub. Bond, 6% to 8/01/23, FRN thereafter, Perpetual .	United States	3,200,000	3,393,214
^e Wells Fargo & Co., S, Junior Sub. Bond, 5.9% to 6/15/24, FRN			
thereafter, Perpetual	United States	3,000,000	3,194,426
			74,702,644
Biotechnology 0.4%			
AbbVie, Inc., Senior Note, 3.8%, 3/15/25	United States	17,000,000	18,979,197
Capital Markets 0.4%			
Goldman Sachs Group, Inc. (The), Senior Note, 3.272% to 9/29/24,			
FRN thereafter, 9/29/25	United States	15,500,000	16,992,443
Consumer Finance 0.9%			
Capital One Financial Corp., Sub. Note, 4.2%, 10/29/25	United States	15,500,000	17,697,287
Ford Motor Credit Co. LLC, Senior Note, 5.125%, 6/16/25	United States	20,000,000	21,771,000
			39,468,287
Containers & Packaging 0.8%			
^d Mauser Packaging Solutions Holding Co.,			
Senior Note, 144A, 7.25%, 4/15/25	United States	23,000,000	23,258,750
Senior Secured Note, 144A, 5.5%, 4/15/24	United States	10,000,000	10,211,900
			33,470,650

Franklin Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Diversified Financial Services 0.4%			
^d MPH Acquisition Holdings LLC, Senior Note, 144A, 5.75%, 11/01/28	United States	20,000,000	\$19,575,000
Diversified Telecommunication Services 0.5%			
AT&T, Inc., Senior Bond, 4.125%, 2/17/26	United States	12,000,000	13,893,578
^d CCO Holdings LLC / CCO Holdings Capital Corp., Senior Bond, 144A, 5.5%, 5/01/26	United States	10,000,000	10,376,550
			<u>24,270,128</u>
Energy Equipment & Services 0.8%			
^d Weatherford International Ltd., 144A, 8.75%, 9/01/24	United States	10,250,000	10,288,437
Senior Note, 144A, 11%, 12/01/24	United States	33,000,000	25,822,500
			<u>36,110,937</u>
Entertainment 0.6%			
Netflix, Inc., Senior Bond, 4.875%, 4/15/28	United States	22,000,000	24,845,260
Equity Real Estate Investment Trusts (REITs) 0.3%			
Equinix, Inc., Senior Bond, 5.375%, 5/15/27	United States	11,000,000	11,993,533
Food Products 0.4%			
Kraft Heinz Foods Co., Senior Bond, 4.625%, 1/30/29	United States	10,600,000	12,131,613
^d Post Holdings, Inc., Senior Bond, 144A, 5%, 8/15/26	United States	7,500,000	7,756,762
			<u>19,888,375</u>
Health Care Providers & Services 8.3%			
^d CHS/Community Health Systems, Inc., Secured Note, 144A, 11%, 6/30/23	United States	77,201,000	81,438,949
Secured Note, 144A, 8.125%, 6/30/24	United States	50,144,000	52,024,400
Senior Note, 144A, 6.875%, 4/01/28	United States	20,000,000	16,117,900
Senior Secured Note, 144A, 6.625%, 2/15/25	United States	27,600,000	29,100,198
Senior Secured Note, 144A, 8%, 3/15/26	United States	12,500,000	13,481,250
Senior Secured Note, 144A, 8%, 12/15/27	United States	20,000,000	21,750,000
Cigna Corp., Senior Note, 3.75%, 7/15/23	United States	13,292,000	14,372,071
CVS Health Corp., Senior Bond, 4.3%, 3/25/28	United States	8,000,000	9,528,196
Senior Bond, 5.05%, 3/25/48	United States	3,900,000	5,286,045
Senior Note, 4.1%, 3/25/25	United States	1,225,000	1,387,525
HCA, Inc., Senior Bond, 5.875%, 5/01/23	United States	7,500,000	8,251,537
Senior Secured Note, 5%, 3/15/24	United States	10,400,000	11,703,287
Tenet Healthcare Corp., Secured Note, 5.125%, 5/01/25	United States	2,000,000	2,041,480
^d Secured Note, 144A, 6.25%, 2/01/27	United States	29,000,000	30,780,455
Senior Note, 6.75%, 6/15/23	United States	58,200,000	62,669,760
^d Senior Note, 144A, 6.125%, 10/01/28	United States	9,000,000	9,409,770
			<u>369,342,823</u>
Hotels, Restaurants & Leisure 1.0%			
^d Caesars Entertainment, Inc., Senior Secured Note, 144A, 6.25%, 7/01/25	United States	18,000,000	19,192,590
^d Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp., Senior Bond, 144A, 5.5%, 3/01/25	United States	13,200,000	13,816,044
Senior Note, 144A, 5.25%, 5/15/27	United States	10,000,000	10,326,250
			<u>43,334,884</u>
Media 1.9%			
^d Diamond Sports Group LLC / Diamond Sports Finance Co., Senior Secured Note, 144A, 5.375%, 8/15/26	United States	10,000,000	8,143,750

Franklin Income VIP Fund (continued)

	Country	Principal Amount ^a	Value
Corporate Bonds (continued)			
Media (continued)			
DISH DBS Corp.,			
Senior Note, 5.875%, 7/15/22	United States	27,000,000	\$28,242,000
Senior Note, 5%, 3/15/23	United States	21,000,000	21,708,750
Senior Note, 5.875%, 11/15/24	United States	9,400,000	9,870,000
^d Univision Communications, Inc.,			
Senior Secured Note, 144A, 5.125%, 2/15/25	United States	7,140,000	7,206,938
Senior Secured Note, 144A, 6.625%, 6/01/27	United States	8,500,000	9,144,087
			84,315,525
Metals & Mining 0.3%			
^d Cleveland-Cliffs, Inc., Senior Secured Note, 144A, 6.75%, 3/15/26.	United States	5,000,000	5,406,250
^d FMG Resources August 2006 Pty. Ltd., Senior Note, 144A, 5.125%, 5/15/24	Australia	6,700,000	7,282,062
			12,688,312
Oil, Gas & Consumable Fuels 1.4%			
Calumet Specialty Products Partners LP / Calumet Finance Corp.,			
Senior Note, 7.625%, 1/15/22	United States	2,815,000	2,796,745
Senior Note, 7.75%, 4/15/23	United States	2,000,000	1,957,290
^d Senior Note, 144A, 11%, 4/15/25	United States	23,500,000	23,793,515
^d Senior Secured Note, 144A, 9.25%, 7/15/24	United States	5,185,000	5,807,200
HighPoint Operating Corp.,			
Senior Bond, 7%, 10/15/22	United States	17,937,000	7,058,478
Senior Note, 8.75%, 6/15/25	United States	26,600,000	10,507,000
Occidental Petroleum Corp.,			
Senior Note, 8%, 7/15/25	United States	5,000,000	5,704,375
Senior Note, 6.625%, 9/01/30	United States	6,000,000	6,523,500
			64,148,103
Pharmaceuticals 2.6%			
^d Bausch Health Cos., Inc.,			
Senior Bond, 144A, 6.125%, 4/15/25	United States	9,400,000	9,697,604
Senior Note, 144A, 9%, 12/15/25	United States	5,000,000	5,539,775
Senior Note, 144A, 5%, 2/15/29	United States	5,000,000	5,150,375
Senior Secured Note, 144A, 7%, 3/15/24	United States	4,500,000	4,633,875
Senior Secured Note, 144A, 5.5%, 11/01/25	United States	31,000,000	32,155,990
^d Bayer US Finance II LLC, Senior Note, 144A, 4.25%, 12/15/25 ..	Germany	15,000,000	17,165,127
Bristol-Myers Squibb Co., Senior Note, 3.4%, 7/26/29	United States	8,000,000	9,316,300
^d Endo Dac / Endo Finance LLC / Endo Finco, Inc.,			
Secured Note, 144A, 9.5%, 7/31/27	United States	5,273,000	5,895,873
Senior Note, 144A, 6%, 6/30/28	United States	7,094,000	6,036,994
^d Par Pharmaceutical, Inc., Senior Secured Note, 144A, 7.5%, 4/01/27	United States	8,429,000	9,156,507
Utah Acquisition Sub, Inc., Senior Note, 3.95%, 6/15/26.	United States	10,000,000	11,446,846
			116,195,266
Road & Rail 0.1%			
^d Ashtead Capital, Inc., Senior Note, 144A, 4.25%, 11/01/29	United Kingdom	4,500,000	4,938,030
Tobacco 0.7%			
BAT Capital Corp.,			
Senior Note, 3.222%, 8/15/24	United Kingdom	10,000,000	10,831,379
Senior Note, 3.557%, 8/15/27	United Kingdom	20,000,000	22,273,854
			33,105,233
Trading Companies & Distributors 0.8%			
United Rentals North America, Inc., Senior Bond, 4.875%, 1/15/28	United States	18,000,000	19,192,500

Franklin Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Trading Companies & Distributors (continued)			
^d WESCO Distribution, Inc., Senior Note, 144A, 7.125%, 6/15/25 . . .	United States	14,000,000	\$15,416,170
			<u>34,608,670</u>
Wireless Telecommunication Services 1.6%			
Sprint Communications, Inc.,			
Senior Note, 11.5%, 11/15/21	United States	30,000,000	32,606,250
Senior Note, 6%, 11/15/22	United States	6,300,000	6,827,625
Sprint Corp.,			
Senior Note, 7.875%, 9/15/23	United States	12,500,000	14,488,125
Senior Note, 7.125%, 6/15/24	United States	8,200,000	9,599,330
Senior Note, 7.625%, 3/01/26	United States	7,500,000	9,320,325
			<u>72,841,655</u>
Total Corporate Bonds (Cost \$1,119,932,688)			1,206,657,593
U.S. Government and Agency Securities 4.1%			
U.S. Treasury Notes,			
2.375%, 3/15/21	United States	75,000,000	75,326,835
2.75%, 4/30/23	United States	25,000,000	26,514,649
2.75%, 5/31/23	United States	50,000,000	53,138,672
2.875%, 5/31/25	United States	25,000,000	27,816,406
			<u>182,796,562</u>
Total U.S. Government and Agency Securities (Cost \$174,976,356)			182,796,562
Asset-Backed Securities 0.2%			
Airlines 0.2%			
United Airlines Pass-Through Trust, 2020-1, A, 5.875%, 10/15/27	United States	10,000,000	10,832,164
			<u>10,832,164</u>
Total Asset-Backed Securities (Cost \$10,000,000)			10,832,164
Mortgage-Backed Securities 3.2%			
Federal National Mortgage Association (FNMA) Fixed Rate 0.7%			
FNMA, 30 Year, 3%, 8/01/50	United States	28,031,580	29,397,019
FNMA, 30 Year, 4%, 8/01/49	United States	3,331,353	3,631,291
			<u>33,028,310</u>
Government National Mortgage Association (GNMA) Fixed Rate 2.5%			
GNMA II, Single-family, 30 Year, 3%, 7/20/50	United States	40,409,533	42,413,258
GNMA II, Single-family, 30 Year, 3.5%, 6/20/50	United States	63,587,689	67,438,716
			<u>109,851,974</u>
Total Mortgage-Backed Securities (Cost \$143,928,125)			142,880,284
		<u>Shares</u>	
Escrows and Litigation Trusts 0.0%			
^{a,g} Motors Liquidation Co., Escrow Account, Convertible Preferred, C	United States	1,400,000	—
			<u>—</u>
Total Escrows and Litigation Trusts (Cost \$—)			—
Total Long Term Investments (Cost \$3,734,625,632)			4,309,806,502

Franklin Income VIP Fund (continued)

Short Term Investments 3.1%

	Country	Shares	Value
Money Market Funds 2.9%			
^{h,j} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	129,156,296	\$129,156,296
Total Money Market Funds (Cost \$129,156,296)			129,156,296
ⁱInvestments from Cash Collateral Received for Loaned Securities 0.2%			
Money Market Funds 0.2%			
^{h,j} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	8,117,000	8,117,000
		Principal Amount[†]	
Repurchase Agreements 0.0%[†]			
^k Joint Repurchase Agreement, BofA Securities, Inc., 0.06%, 1/04/21 (Maturity Value \$2,029,506) Collateralized by U.S. Treasury Note, 1.5%, 11/30/24 (valued at \$2,070,085)			
		2,029,492	2,029,492
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$10,146,492)			10,146,492
Total Short Term Investments (Cost \$139,302,788)			139,302,788
Total Investments (Cost \$3,873,928,420) 99.7%			\$4,449,109,290
Other Assets, less Liabilities 0.3%			12,714,934
Net Assets 100.0%			\$4,461,824,224

See Abbreviations on page FI-31.

[†]The principal amount is stated in U.S. dollars unless otherwise indicated.

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

^aNon-income producing.

^bA portion or all of the security is on loan at December 31, 2020. See Note 1(f).

^cSee Note 1(e) regarding equity-linked securities.

^dSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$964,600,923, representing 21.6% of net assets.

^ePerpetual security with no stated maturity date.

^fThe coupon rate shown represents the rate at period end.

^gFair valued using significant unobservable inputs. See Note 11 regarding fair value measurements.

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

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

^jSee Note 1(f) regarding securities on loan.

^kSee Note 1(c) regarding joint repurchase agreement.

Statement of Assets and Liabilities

December 31, 2020

	Franklin Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$3,734,625,632
Cost - Non-controlled affiliates (Note 3e)	137,273,296
Cost - Unaffiliated repurchase agreements	2,029,492
Value - Unaffiliated issuers (Includes securities loaned of \$12,342,255)	\$4,309,806,502
Value - Non-controlled affiliates (Note 3e)	137,273,296
Value - Unaffiliated repurchase agreements	2,029,492
Cash	3,767,754
Receivables:	
Investment securities sold	148,290
Capital shares sold	3,185,083
Dividends and interest	19,897,579
European Union tax reclaims (Note 1g)	1,815,625
Other assets	593
Total assets	<u>4,477,924,214</u>
Liabilities:	
Payables:	
Capital shares redeemed	2,883,479
Management fees	1,700,567
Distribution fees	903,050
Payable upon return of securities loaned (Note 1f)	10,147,450
Accrued expenses and other liabilities	465,444
Total liabilities	<u>16,099,990</u>
Net assets, at value	<u>\$4,461,824,224</u>
Net assets consist of:	
Paid-in capital	\$4,098,783,262
Total distributable earnings (losses)	363,040,962
Net assets, at value	<u>\$4,461,824,224</u>
	Franklin Income VIP Fund
Class 1:	
Net assets, at value	<u>\$306,640,581</u>
Shares outstanding	<u>19,595,784</u>
Net asset value and maximum offering price per share	<u>\$15.65</u>
Class 2:	
Net assets, at value	<u>\$3,852,709,182</u>
Shares outstanding	<u>256,135,806</u>
Net asset value and maximum offering price per share	<u>\$15.04</u>
Class 4:	
Net assets, at value	<u>\$302,474,461</u>
Shares outstanding	<u>19,580,873</u>
Net asset value and maximum offering price per share	<u>\$15.45</u>

Statement of Operations

for the year ended December 31, 2020

**Franklin Income
VIP Fund**

Investment income:	
Dividends: (net of foreign taxes of \$983,509)	
Unaffiliated issuers	\$74,390,932
Non-controlled affiliates (Note 3e)	359,949
Interest:	
Unaffiliated issuers	113,942,527
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	65,989
Non-controlled affiliates (Note 3e)	11,050
Other income (Note 1g)	1,763,953
Total investment income.	<u>190,534,400</u>
Expenses:	
Management fees (Note 3a)	19,563,347
Distribution fees: (Note 3c)	
Class 2	9,305,342
Class 4	1,017,005
Custodian fees (Note 4)	28,971
Reports to shareholders	429,141
Professional fees	70,275
Trustees' fees and expenses	25,612
Other	106,902
Total expenses	<u>30,546,595</u>
Expense reductions (Note 4)	(38,943)
Expenses waived/paid by affiliates (Note 3e)	<u>(463,552)</u>
Net expenses	<u>30,044,100</u>
Net investment income	<u>160,490,300</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(373,510,166)
Written options	7,013,522
Foreign currency transactions	56,254
Net realized gain (loss)	<u>(366,440,390)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	189,707,080
Translation of other assets and liabilities denominated in foreign currencies	73,571
Net change in unrealized appreciation (depreciation)	<u>189,780,651</u>
Net realized and unrealized gain (loss)	<u>(176,659,739)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (16,169,439)</u>

Statements of Changes in Net Assets

	Franklin Income VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$160,490,300	\$211,417,673
Net realized gain (loss)	(366,440,390)	40,047,821
Net change in unrealized appreciation (depreciation)	189,780,651	514,968,839
Net increase (decrease) in net assets resulting from operations	(16,169,439)	766,434,333
Distributions to shareholders:		
Class 1	(16,535,949)	(26,604,329)
Class 2	(219,850,517)	(301,656,285)
Class 4	(16,548,919)	(21,101,452)
Total distributions to shareholders	(252,935,385)	(349,362,066)
Capital share transactions: (Note 2)		
Class 1	11,863,357	(360,324,820)
Class 2	(227,620,547)	(103,843,936)
Class 4	(4,380,893)	4,153,985
Total capital share transactions	(220,138,083)	(460,014,771)
Net increase (decrease) in net assets	(489,242,907)	(42,942,504)
Net assets:		
Beginning of year	4,951,067,131	4,994,009,635
End of year	\$4,461,824,224	\$4,951,067,131

Notes to Financial Statements

Franklin Income VIP Fund

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

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

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

Investments in open-end mutual funds are valued at the closing NAV. Investments in repurchase agreements are valued at cost, which approximates fair value.

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. Events can occur

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any 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. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the

Franklin Income VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**c. Joint Repurchase Agreement** (continued)

seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2020.

d. Derivative Financial Instruments

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

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities.

The Fund purchased or wrote exchange traded option contracts primarily to gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss.

See Note 9 regarding other derivative information.

e. Equity-Linked Securities

The Fund invests in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single note form. Income received from equity-linked securities is recorded as realized gains in the Statements of Operations and may be based on the performance of an underlying equity security, an equity index, or an option position. The risks of investing in equity-linked securities include unfavorable price movements in the underlying security and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with equity-linked securities and the appreciation potential may be limited. Equity-linked securities may be more volatile and less liquid than other investments held by the Fund.

f. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities 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. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. Additionally, The Fund received \$2,464,779 in U.S. Government and Agency securities as collateral. 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 any cash 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.

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

g. Income and Deferred Taxes

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

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

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund will 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, 2020, the Fund has determined that no tax liability is required in its financial

statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

h. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Paydown gains and losses are recorded as an adjustment to interest income. Facility fees are recognized as income over the expected term of the loan. 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.

Franklin Income VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**i. 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.

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	2,306,541	\$33,745,188	1,872,752	\$30,211,199
Shares issued in reinvestment of distributions	1,187,928	16,535,949	1,709,790	26,604,329
Shares redeemed	(2,618,645)	(38,417,780)	(25,004,206)	(417,140,348)
Net increase (decrease)	875,824	\$11,863,357	(21,421,664)	\$(360,324,820)
Class 2 Shares:				
Shares sold	18,351,749	\$260,263,939	16,435,568	\$256,969,286
Shares issued in reinvestment of distributions	16,406,755	219,850,517	20,097,021	301,656,285
Shares redeemed	(49,970,834)	(707,735,003)	(42,487,994)	(662,469,507)
Net increase (decrease)	(15,212,330)	\$(227,620,547)	(5,955,405)	\$(103,843,936)
Class 4 Shares:				
Shares sold	2,068,153	\$30,108,099	2,582,430	\$41,387,759
Shares issued in reinvestment of distributions	1,201,809	16,548,919	1,370,224	21,101,452
Shares redeemed	(3,520,562)	(51,037,911)	(3,658,374)	(58,335,226)
Net increase (decrease)	(250,600)	\$(4,380,893)	294,280	\$4,153,985

3. Transactions with Affiliates

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

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	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

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees

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

Subsidiary	Affiliation
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	In excess of \$15 billion

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.456% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Income VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$83,971,136	\$1,539,873,425	\$(1,494,688,265)	\$—	\$—	\$129,156,296	129,156,296	\$359,949
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$747,000	\$182,584,000	\$(175,214,000)	\$—	\$—	\$8,117,000	8,117,000	\$11,050
Total Affiliated Securities	\$84,718,136	\$1,722,457,425	\$(1,669,902,265)	\$—	\$—	\$137,273,296		\$370,999

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, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains.

At December 31, 2020, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:	
Short term	\$18,659,427
Long term	396,154,822
Total capital loss carryforwards	<u>\$414,814,249</u>

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$249,422,628	\$268,440,004
Long term capital gain	3,512,757	80,922,062
	<u>\$252,935,385</u>	<u>\$349,362,066</u>

Franklin Income VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$3,870,914,430
Unrealized appreciation	\$718,582,199
Unrealized depreciation	(140,387,339)
Net unrealized appreciation (depreciation)	\$578,194,860
Distributable earnings:	
Undistributed ordinary income	\$197,818,227

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of equity-linked securities, bond discounts and premiums, convertible securities and wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$1,881,432,362 and \$2,189,513,542, respectively.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$10,147,450 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Credit Risk

At December 31, 2020, the Fund had 20.6% of its portfolio invested in high yield, senior secured floating rate loans, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. Novel Coronavirus Pandemic

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

Franklin Income VIP Fund (continued)

9. Other Derivative Information

For the year ended December 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Franklin Income VIP Fund				
Equity Contracts				
	Investments	\$(30,006,115) ^a	Investments	\$22,734,076 ^a
	Written options	7,013,522	Written options	—
Total		<u>\$(22,992,593)</u>		<u>\$22,734,076</u>

^aPurchased option contracts are included in net realized gain (loss) from investments and net change in unrealized appreciation (depreciation) on investments in the Statement of Operations.

For the year ended December 31, 2020, the average month end notional amount of options represented 211,538 shares.

See Note 1(d) regarding derivative financial instruments.

10. 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 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 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, 2020, the Fund did not use the Global Credit Facility.

11. Fair Value Measurements

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

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

Franklin Income VIP Fund (continued)

11. Fair Value Measurements (continued)

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

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

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Income VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$53,401,200	\$—	\$—	\$53,401,200
Air Freight & Logistics	36,660,680	—	—	36,660,680
Automobiles	24,984,000	—	—	24,984,000
Banks	305,445,925	25,078,006	—	330,523,931
Beverages	132,280,400	—	—	132,280,400
Capital Markets	56,879,900	—	—	56,879,900
Chemicals	19,125,400	25,689,921	—	44,815,321
Diversified Telecommunication Services	90,438,983	—	—	90,438,983
Electric Utilities	210,746,100	—	—	210,746,100
Energy Equipment & Services	4,500,000	—	—	4,500,000
Equity Real Estate Investment Trusts (REITs)	14,630,000	—	—	14,630,000
Health Care Providers & Services	70,266,000	—	—	70,266,000
Household Products	69,570,000	—	—	69,570,000
Industrial Conglomerates	63,810,000	—	—	63,810,000
Insurance	62,683,321	—	—	62,683,321
IT Services	12,588,000	—	—	12,588,000
Machinery	22,710,000	—	—	22,710,000
Media	26,200,000	—	—	26,200,000
Metals & Mining	60,176,000	—	—	60,176,000
Multi-Utilities	115,357,928	—	—	115,357,928
Oil, Gas & Consumable Fuels	219,166,500	—	—	219,166,500
Personal Products	—	14,994,515	—	14,994,515
Pharmaceuticals	186,400,000	45,372,857	—	231,772,857
Road & Rail	37,479,600	—	—	37,479,600
Semiconductors & Semiconductor Equipment	105,335,000	—	—	105,335,000
Software	2,484,096	—	—	2,484,096
Specialty Retail	8,499,840	—	—	8,499,840
Tobacco	28,976,500	—	—	28,976,500
Equity-Linked Securities	—	380,802,457	—	380,802,457
Convertible Preferred Stocks:				
Capital Markets	5,123,800	—	—	5,123,800
Electric Utilities	78,151,374	—	—	78,151,374
Multi-Utilities	44,816,000	—	—	44,816,000
Semiconductors & Semiconductor Equipment	71,123,500	—	—	71,123,500
Thrifts & Mortgage Finance	—	14,843,750	—	14,843,750
Preferred Stocks	7,459,596	—	—	7,459,596
Convertible Bonds	—	12,388,750	—	12,388,750
Corporate Bonds	—	1,206,657,593	—	1,206,657,593
U.S. Government and Agency Securities	—	182,796,562	—	182,796,562
Asset-Backed Securities	—	10,832,164	—	10,832,164
Mortgage-Backed Securities	—	142,880,284	—	142,880,284
Escrows and Litigation Trusts	—	—	a	—
Short Term Investments	137,273,296	2,029,492	—	139,302,788
Total Investments in Securities	<u>\$2,384,742,939</u>	<u>\$2,064,366,351</u>	<u>\$—</u>	<u>\$4,449,109,290</u>

^aIncludes securities determined to have no value at December 31, 2020.

Franklin Income VIP Fund (continued)**11. Fair Value Measurements** (continued)

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

12. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

13. 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**Currency**

USD	United States Dollar
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Selected Portfolio

ADR	American Depositary Receipt
FNMA	Federal National Mortgage Association
FRN	Floating Rate Note
GNMA	Government National Mortgage Association
LIBOR	London Inter-Bank Offered Rate

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Income VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (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, 2020, 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, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 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, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Income VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$3,512,757 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 23.12% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

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

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

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

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

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

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

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

Bloomberg Barclays U.S. Government Index - Intermediate Index is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to

final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

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

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

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

FTSE World Government Bond Index measures the performance 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 12/31/20, there were 351 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 12/31/20,

there were 24 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

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

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

MSCI Europe Index is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets in Europe.

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

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

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

MSCI World ex USA Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets, excluding the U.S.

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

MSCI World Value Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure performance of securities exhibiting overall value style characteristics in global developed markets.

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

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

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

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

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

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

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

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

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

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

Board Members and Officers

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

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	125	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	106	Hess Corporation (exploration of oil and gas) (2014-present).
Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the board of trustees of the Economic Club of New York (2013-present); member of the board of trustees of the Foreign Policy Association (2005-present); member of the board of directors of Council of the Americas (2007-present) and the Tallberg Foundation (2018-present); and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	125	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and formerly , Avis Budget Group Inc. (car rental) (2007-May 2020).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

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
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2005 and Lead Independent Trustee since 2019	125	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); Santander Holdings USA (holding company) (2019-present); and formerly , RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

Principal Occupation During at Least the Past 5 Years:

Director or Trustee of various companies and trusts; and **formerly**, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).

J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	125	Boeing Capital Corporation (aircraft financing) (2006-2010).
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Principal Occupation During at Least the Past 5 Years:

Private investor; and **formerly**, Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).

Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	125	Graham Holdings Company (education and media organization) (2011-present); and formerly , The Southern Company (energy company) (2014-May 2020; previously 2010-2012), Cbeyond, Inc. (business communications provider) (2010-2012).
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Principal Occupation During at Least the Past 5 Years:

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-September 2020); Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	136	None
Principal Occupation During at Least the Past 5 Years: Executive Chairman, Chairman of the Board and Director, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and formerly , Chief Executive Officer (2013-2020) and President (1994-2015), Franklin Resources, Inc.				
**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since 2013 and Trustee since 1988	125	None
Principal Occupation During at Least the Past 5 Years: Director (Vice Chairman), Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 37 of the investment companies in Franklin Templeton.				
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
Breda M. Beckerle (1958) 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since October 2020	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since 2019	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert G. Kubilis (1973) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since December 2020	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

Treasurer, U.S. Fund Administration & Reporting and officer of 39 of the investment companies in Franklin Templeton.

Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton.

Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2018	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

President and Director, Franklin Advisers, Inc.; and officer of eight of the investment companies in Franklin Templeton (since December 2018).

Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Associate General Counsel and officer of 41 of the investment companies in Franklin Templeton.

Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.

Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since 2019	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.

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

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

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

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

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She served as a director of Avis Budget Group, Inc. (2007-May 2020) and formerly, Founder and Senior Advisor, Strategic Investment Group (1987 to 2017). Ms. Choksi has been a Member of the Fund's

Interested Board Members and Officers (continued)

Audit Committee since 2014. As a result of such background and experience, the Board believes that Ms. Choksi has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Choksi is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

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

Shareholder Information

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

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

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

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

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



Annual Report
Franklin Templeton Variable Insurance Products Trust

Investment Managers

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

Fund Administrator

Franklin Templeton Services, LLC

Distributor

Franklin Templeton
Distributors, Inc.