



FRANKLIN TEMPLETON
INVESTMENTS

Annual Report

December 31, 2016

Franklin Templeton Variable Insurance Products Trust



Franklin Templeton Variable Insurance Products Trust Annual Report

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

Important Notes to Performance Information

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

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

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

**SUPPLEMENT DATED SEPTEMBER 28, 2016
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2016
OF
FRANKLIN FLEX CAP GROWTH VIP FUND
FRANKLIN FOUNDING FUNDS ALLOCATION VIP FUND
FRANKLIN GLOBAL REAL ESTATE VIP FUND
FRANKLIN GROWTH AND INCOME VIP FUND
FRANKLIN HIGH INCOME VIP FUND
FRANKLIN INCOME VIP FUND
FRANKLIN LARGE CAP GROWTH VIP FUND
FRANKLIN MUTUAL GLOBAL DISCOVERY VIP FUND
FRANKLIN MUTUAL SHARES VIP FUND
FRANKLIN RISING DIVIDENDS VIP FUND
FRANKLIN SMALL CAP VALUE VIP FUND
FRANKLIN SMALL-MID CAP GROWTH VIP FUND
FRANKLIN STRATEGIC INCOME VIP FUND
FRANKLIN VOLSMART ALLOCATION VIP FUND
TEMPLETON DEVELOPING MARKETS VIP FUND
TEMPLETON FOREIGN VIP FUND
TEMPLETON GLOBAL BOND VIP FUND
TEMPLETON GROWTH VIP FUND
(Series of Franklin Variable Insurance Products Trust)**

The Statement of Additional Information is amended as follows:

“The Funds – Goals, Additional Strategies and Risks – Foreign securities” section is revised to add the following after the seventh paragraph:

On June 23, 2016, the United Kingdom voted via referendum to leave the European Union (EU), which immediately led to significant market volatility around the world, as well as political, economic, and legal uncertainty. It is generally expected that the United Kingdom’s exit from the EU will take place within two years after the United Kingdom formally notifies the European Council of its intention to withdraw, but there is still considerable uncertainty relating to the potential consequences and timeframe for the exit. The consequences and timeframe of the exit; how the negotiations for the withdrawal and new trade agreements will be conducted; and whether the United Kingdom’s exit will increase the likelihood of other countries also departing the EU, may increase market volatility across the global economy. During this period of uncertainty, the negative impact on, not only the United Kingdom and European economies, but the broader global economy, could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Any further exits from the EU, or an increase in the belief that such exits are likely or possible, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

Please keep this supplement with your Statement of Additional Information for future reference.

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Franklin High Income VIP Fund

This annual report for Franklin High Income VIP Fund covers the fiscal year ended December 31, 2016.

Class 1 Performance Summary as of December 31, 2016

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

Periods ended 12/31/16	1-Year	5-Year	10-Year
Average Annual Total Return	+17.25%	+6.07%	+6.10%

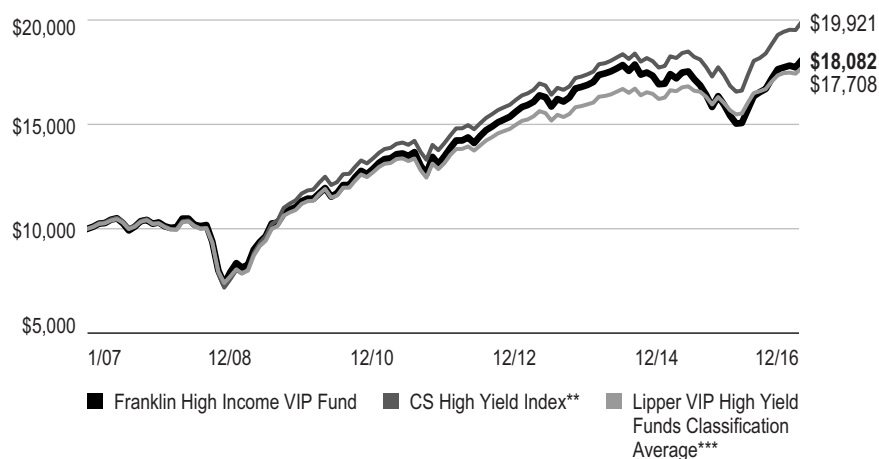
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through its current fiscal year-end. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*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 (1/1/07–12/31/16)

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 Credit Suisse (CS) High Yield Index and the Lipper VIP High Yield Funds Classification Average. 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: Credit Suisse Group. Please see Index Descriptions following the Fund Summaries.

***Source: Lipper, a Thomson Reuters Company. Please see Index Descriptions following the Fund Summaries.

Fund Goal and Main Investments

The Fund seeks a high level of current income with capital appreciation as a secondary goal. Under normal market conditions, the Fund invests predominantly in high yield, lower rated debt securities and preferred stocks.

On December 1, 2016, the Board of Trustees of Franklin Templeton Variable Insurance Products Trust approved a proposal to liquidate the Franklin High Income VIP Fund. Effective at the close of market on or about April 21, 2017, the Fund will be closed to new investors and to additional investments from existing shareholders. The liquidation is currently planned for April 28, 2017, and may be delayed if unforeseen circumstances arise.

Fund Risks

All investments involve risks, including possible loss of principal. The risks associated with higher yielding, lower rated securities include higher risk of default and loss of principal. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. In addition, interest rate movements will affect the Fund's share price and yield. 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. Investment in foreign securities also involves special risks, including currency fluctuations, and political and economic uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the CS High Yield Index, posted a +18.25% total return for the period under review.¹ The Fund's peers, as measured by the Lipper VIP High Yield Funds Classification Average, delivered a +13.27% total return.²

1. Source: Credit Suisse Group.

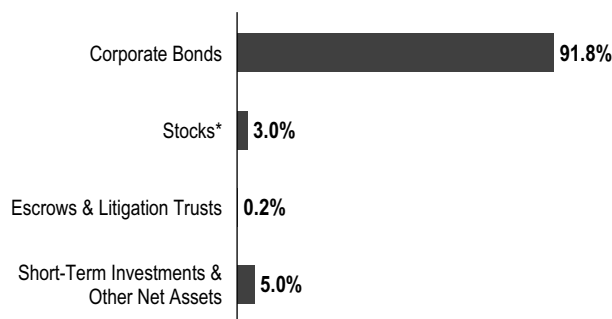
2. Source: Lipper, a Thomson Reuters Company.

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.

3. Source: Bureau of Labor Statistics.

Asset Allocation

Based on Total Net Assets as of 12/31/16



*Includes common and convertible preferred shares.

Economic and Market Overview

The U.S. economy expanded during the 12 months under review. The economy grew at a faster pace in 2016's third quarter than in the second and first quarters, mainly due to personal consumption expenditures, exports, private inventory investment, federal government spending and nonresidential fixed investment. Manufacturing conditions remained volatile but generally expanded, and the services sector also continued to grow for most of the period. The unemployment rate decreased from 5.0% in December 2015 to 4.7% at period-end.³ Monthly retail sales grew for most of the review period, and rose to its highest level in April in more than a year, due to a broad-based increase across most retail categories. Inflation, as measured by the Consumer Price Index, remained relatively subdued for most of the period, but rose in 2016's fourth quarter.

After maintaining its target interest rate in the 0.25%–0.50% range for nearly a year, the U.S. Federal Reserve (Fed), at its December meeting, increased its target range for the federal funds rate to 0.50%–0.75%, as policymakers noted improvement in U.S. labor market and inflation. The Federal Open Market Committee also hinted at three additional hikes in 2017. Furthermore, the Fed raised its forecast for 2017 U.S. economic growth, and lowered its unemployment projections.

The 10-year U.S. Treasury yield, which moves inversely to price, ended the period slightly higher than where it started and shifted significantly during the period. At the beginning of the period, negative global interest rates, continued accommodative

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).

central bank policies and a general risk-averse sentiment boosted safe haven buying by investors. These factors drove the 10-year yield to a period low of 1.37% in early July, down from 2.27% on December 31, 2015. Near period-end, rates moved higher based on improved economic data, expectations for the Fed to raise interest rates at its December 2016 meeting and a sentiment shift among investors that held that possible expansionary fiscal policies under the new U.S. president Donald Trump could lead to a stronger economy and higher inflation.

Investment Strategy

We are research-driven, fundamental investors who rely on a team of analysts to provide in-depth industry expertise and use qualitative and quantitative analyses to evaluate companies. As bottom-up investors, we focus primarily on individual securities. We also consider sectors when choosing investments. In selecting securities for the Fund's investment portfolio, we do not rely principally on ratings assigned by rating agencies but perform our own independent analysis to evaluate an issuer's creditworthiness. We consider a variety of factors, including an issuer's experience and managerial strength, its sensitivity to economic conditions and its current financial condition.

Manager's Discussion

During the first quarter of 2016, volatility was the predominant theme of global financial markets. Fears of slowing U.S. and Chinese growth, weak commodity markets, the threat of rising U.S. interest rates and the possibility Britain would exit the European Union weighed on investor risk appetites. However, by the second quarter, rate fears subsided. Also, oil posted a notable recovery as supply and demand levels rebalanced, while other commodities rebounded on general increased optimism for global growth. This generally positive investor sentiment continued through the summer until the surprise results of the U.S. presidential election were revealed in November. After an initial negative reaction by the equity markets, expectations of increased fiscal spending and income tax cuts spurred upward movement. The U.S. Treasury yield curve shifted higher and steepened on higher inflation expectations and the U.S. Federal Reserve Board raised short-term rates for only the second time during the cycle.

Specific to the high yield market, the rebound in oil and commodity prices had a significantly positive effect on returns given our relatively high weightings in these sectors. Also,

Top 10 Sectors/Industries

12/31/16

	% of Total Net Assets
Materials	13.8%
Energy	13.2%
Media	8.4%
Telecommunication Services	7.9%
Diversified Financials	5.4%
Capital Goods	5.1%
Health Care Equipment & Services	4.5%
Utilities	4.4%
Consumer Durables & Apparel	3.8%
Food, Beverage & Tobacco	3.6%

continued investor interest in the asset class drove positive inflows, while new issue supply fell year-over-year, despite generally constructive corporate fundamentals. The sell-off in U.S. Treasuries in the fourth quarter subdued returns for high yield bonds, but the combination of the aforementioned factors outweighed interest-rate pressure.

Following our investment strategy, we drew on our fundamental research process to both make individual investments and to overweight and underweight certain industries relative to our benchmark in an effort to outperform. Although select positions contributed to relative performance, our overall industry exposure had a negative impact on relative returns for the year.

For instance, as the turnaround in the energy sector gained steam at the end of the first quarter, we began to reduce our relative weighting to a modestly underweighted position versus the benchmark. Given a significant rally in the sector, this positioning had a negative impact from an industry point of view. However, we maintained a higher risk stance within the industry to reflect our positive outlook for oil prices. These lower quality, longer dated holdings substantially outperformed the index and drove the net impact of the sector on the Fund to a positive one.

However, in a continuation of trends from earlier in the year, our overweighting of the media cable sector remained a net drag on performance.⁴ Although the sector delivered a double-digit positive return during the period, it did not keep pace with the overall market given merger and acquisition activity in the sector, heavy new issuance and a highly competitive landscape. In addition, our overweighted position

4. Media cable is part of media in the SOI.

in large capitalization issuer Intelsat Jackson, which is a major player in the satellite market, hurt Fund results as the company's highly leveraged balance sheet remained under pressure in the face of uncertain demand. After a sharp price drop in the first quarter, the company's bonds stabilized at slightly higher levels, but did not recover the earlier price loss.

Similarly, our overweighted position in the typically defensive health care sector continued to detract from relative returns as did several positions in the pharmaceuticals industry.⁵ Heightened political scrutiny of drug pricing and investigations into potential accounting irregularities weighed heavily on some of our pharmaceutical holdings. The hospital industry was also impacted by investor speculation surrounding the incoming President Trump administration.

Although some of the Fund's allocations detracted from relative performance, certain weightings contributed to results. For instance, our overweighted position in the metals and mining sector continued to benefit the Fund's returns during the period.⁶ The rebound in commodity prices persisted as the year progressed and drove the sector to turn in the highest return within the benchmark. Our overweighted position was a notable positive as were certain large holdings such as First Quantum Minerals and ArcelorMittal, which enjoyed significant price gains. We were underweighted in the consumer products sector, which was among the lowest returning industries in the high yield market, driven by company difficulties within the industry.⁷ Finally, we maintained our underweighted position in the retailers sector.⁸ Similar to the consumer sector, certain issuers encountered financial distress and weighed on overall sector return. We continued to be selective in the retail sector given the pressure on traditional brick-and-mortar retailers as well as a still somewhat cautious view on consumer spending.

Thank you for your participation in Franklin High 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, 2016, 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.

5. The health care sector comprises health care equipment and services and pharmaceuticals, biotechnology and life sciences in the SOI.

6. Metals and mining is part of materials in the SOI.

7. Consumer products is part of automobiles and components; consumer durables and apparel; food, beverage and tobacco; and retailing in the SOI.

8. Retailers is part of retailing in the SOI.

Class 1 Fund Expenses

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

Actual Fund Expenses

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

Hypothetical Example for Comparison with Other Mutual Funds

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

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

Share Class	Beginning Account Value 7/1/16	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/16	Fund-Level Expenses Paid During Period 7/1/16–12/31/16 ^{1,2}	Ending Account Value 12/31/16	Fund-Level Expenses Paid During Period 7/1/16–12/31/16 ^{1,2}	
Class 1	\$1,000	\$1,082.90	\$3.19	\$1,022.07	\$3.10	0.61%

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.

**SUPPLEMENT DATED OCTOBER 17, 2016
TO THE PROSPECTUSES DATED MAY 1, 2016 OF
FRANKLIN GROWTH AND INCOME VIP FUND
FRANKLIN HIGH INCOME VIP FUND
(each, a series of Franklin Templeton Variable Insurance Products Trust)**

Effective October 17, 2016, the prospectuses are amended as follows:

I. The “Fund Summary – Annual Fund Operating Expenses” table on page FGI-S1 in the Franklin Growth and Income VIP Fund’s Class 1 prospectus is replaced with the following:

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class 1
Management fees ¹	0.63%
Distribution and service (12b-1) fees	None
Other expenses ¹	0.08%
Total annual Fund operating expenses	0.71%
Fee waiver and/or expense reimbursement ²	-0.07%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement²	0.64%

1. Management fees and other expenses have been restated to reflect increased fees due to a decline in the assets of the Fund as a result of shareholder redemptions.

2. The investment manager has contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) do not exceed 0.64% until April 30, 2018. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time periods set forth above.

II. The “Fund Summary – Example” table on page FGI-S1 in the Franklin Growth and Income VIP Fund’s Class 1 prospectus is replaced with the following:

	1 Year	3 Years	5 Years	10 Years
Class 1	\$65	\$220	\$388	\$876

III. The “Fund Summary – Annual Fund Operating Expenses” table on page FH-S1 in the Franklin High Income VIP Fund’s Class 1 prospectus is replaced with the following:

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class 1
Management fees ¹	0.63%
Distribution and service (12b-1) fees	None
Other expenses ¹	0.30%
Total annual Fund operating expenses	0.93%
Fee waiver and/or expense reimbursement ²	-0.27%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement²	0.66%

1. Management fees and other expenses have been restated to reflect increased fees due to a decline in the assets of the Fund as a result of shareholder redemptions.

2. The investment manager has contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) do not exceed 0.66% until April 30, 2018. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time periods set forth above.

IV. The “Fund Summary – Example” table on page FH-S1 in the Franklin High Income VIP Fund’s Class 1 prospectus is replaced with the following:

	1 Year	3 Years	5 Years	10 Years
Class 1	\$67	\$269	\$488	\$1,118

V. The end of the second to last paragraph in the “Fund Details – Franklin Growth and Income VIP Fund – Management” section on page FGI-D7 in the Franklin Growth and Income VIP Fund’s Class 1 prospectus is revised to add the following:

Advisers has agreed to waive or limit its fees and to assume as its own certain expenses otherwise payable by the Fund so that common expenses (i.e., a combination of investment management fees, administration fees, and other expenses, but excluding the Rule 12b 1 fees, acquired fund fees and expenses, expenses related to securities sold short and certain non-routine expenses including those relating to litigation, indemnification, reorganizations and liquidations) for each class of the Fund do not exceed (and could be less than) 0.64% until April 30, 2018.

VI. The end of the second to last paragraph in the “Fund Details – Franklin High Income VIP Fund – Management” section on page FH-D9 in the Franklin High Income VIP Fund’s Class 1 prospectus is revised to add the following:

Advisers has agreed to waive or limit its fees and to assume as its own certain expenses otherwise payable by the Fund so that common expenses (i.e., a combination of investment management fees, administration fees, and other expenses, but excluding the Rule 12b 1 fees, acquired fund fees and expenses, expenses related to securities sold short and certain non-routine expenses including those relating to litigation, indemnification, reorganizations and liquidations) for each class of the Fund do not exceed (and could be less than) 0.66% until April 30, 2018.

VII. The “Fund Summary – Annual Fund Operating Expenses” table on page FGI-S1 in the Franklin Growth and Income VIP Fund’s Class 2 prospectus is replaced with the following:

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class 2
Management fees ¹	0.63%
Distribution and service (12b-1) fees	0.25%
Other expenses ¹	0.08%
Total annual Fund operating expenses	0.96%
Fee waiver and/or expense reimbursement ²	-0.07%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement²	0.89%

1. Management fees and other expenses have been restated to reflect increased fees due to a decline in the assets of the Fund as a result of shareholder redemptions.

2. The investment manager has contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) do not exceed 0.64% until April 30, 2018. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time periods set forth above.

VIII. The “Fund Summary – Example” table on page FGI-S1 in the Franklin Growth and Income VIP Fund’s Class 2 prospectus is replaced with the following:

	1 Year	3 Years	5 Years	10 Years
Class 2	\$91	\$299	\$524	\$1,172

IX. The “Fund Summary – Annual Fund Operating Expenses” table on page FH-S1 in the Franklin High Income VIP Fund’s Class 2 prospectus is replaced with the following:

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class 2
Management fees ¹	0.63%
Distribution and service (12b-1) fees	0.25%
Other expenses ¹	0.30%
Total annual Fund operating expenses	1.18%
Fee waiver and/or expense reimbursement ²	-0.27%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement²	0.91%

1. Management fees and other expenses have been restated to reflect increased fees due to a decline in the assets of the Fund as a result of shareholder redemptions.

2. The investment manager has contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) do not exceed 0.66% until April 30, 2018. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time periods set forth above.

X. The “Fund Summary – Example” table on page FH-S1 in the Franklin High Income VIP Fund’s Class 2 prospectus is replaced with the following:

	1 Year	3 Years	5 Years	10 Years
Class 2	\$93	\$348	\$623	\$1,408

XI. The end of the second to last paragraph in the “Fund Details – Franklin Growth and Income VIP Fund – Management” section on page FGI-D7 in the Franklin Growth and Income VIP Fund’s Class 2 prospectus is revised to add the following:

Advisers has agreed to waive or limit its fees and to assume as its own certain expenses otherwise payable by the Fund so that common expenses (i.e., a combination of investment management fees, administration fees, and other expenses, but excluding the Rule 12b 1 fees, acquired fund fees and expenses, expenses related to securities sold short and certain non-routine expenses including those relating to litigation, indemnification, reorganizations and liquidations) for each class of the Fund do not exceed (and could be less than) 0.64% until April 30, 2018.

XII. The end of the second to last paragraph in the “Fund Details – Franklin High Income VIP Fund – Management” section on page FH-D9 in the Franklin High Income VIP Fund’s Class 2 prospectus is revised to add the following:

Advisers has agreed to waive or limit its fees and to assume as its own certain expenses otherwise payable by the Fund so that common expenses (i.e., a combination of investment management fees, administration fees, and other expenses, but excluding the Rule 12b 1 fees, acquired fund fees and expenses, expenses related to securities sold short and certain non-routine expenses including those relating to litigation, indemnification, reorganizations and liquidations) for each class of the Fund do not exceed (and could be less than) 0.66% until April 30, 2018.

XIII. The “Fund Summary – Annual Fund Operating Expenses” table on page FH-S1 in the Franklin High Income VIP Fund’s Class 4 prospectus is replaced with the following:

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class 4
Management fees ¹	0.63%
Distribution and service (12b-1) fees	0.35%
Other expenses ¹	0.30%
Total annual Fund operating expenses	1.28%
Fee waiver and/or expense reimbursement ²	-0.27%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement²	1.01%

1. Management fees and other expenses have been restated to reflect increased fees due to a decline in the assets of the Fund as a result of shareholder redemptions.

2. The investment manager has contractually agreed to waive or assume certain expenses so that common expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses and certain non-routine expenses) do not exceed 0.66% until April 30, 2018. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time periods set forth above.

XIV. The “Fund Summary – Example” table on page FH-S1 in the Franklin High Income VIP Fund’s Class 4 prospectus is replaced with the following:

	1 Year	3 Years	5 Years	10 Years
Class 4	\$103	\$379	\$676	\$1,522

XV. The end of the second to last paragraph in the “Fund Details – Franklin High Income VIP Fund – Management” section on page FH-D9 in the Franklin High Income VIP Fund’s Class 4 prospectus is revised to add the following:

Advisers has agreed to waive or limit its fees and to assume as its own certain expenses otherwise payable by the Fund so that common expenses (i.e., a combination of investment management fees, administration fees, and other expenses, but excluding the Rule 12b 1 fees, acquired fund fees and expenses, expenses related to securities sold short and certain non-routine expenses including those relating to litigation, indemnification, reorganizations and liquidations) for each class of the Fund do not exceed (and could be less than) 0.66% until April 30, 2018.

Please keep this supplement with your prospectus for future reference.

**SUPPLEMENT DATED JANUARY 6, 2017
TO THE PROSPECTUSES DATED MAY 1, 2016
OF
FRANKLIN HIGH INCOME VIP FUND
(A series of Franklin Templeton Variable Insurance Products Trust)**

The prospectus is amended to add the following:

On December 1, 2016, the Board of Trustees (the “Board”) of Franklin Templeton Variable Insurance Products Trust (the “Trust”) approved a proposal to liquidate the Franklin High Income VIP Fund (the “Fund”). Effective at the close of market on or about April 21, 2017, the Fund will be closed to new investors and to additional investments from existing shareholders. The liquidation is currently planned for April 28, 2017 (the “Liquidation”), and may be delayed if unforeseen circumstances arise.

Contract owners should refer to documents provided by their insurance companies concerning the effect of the Liquidation and any steps they may need to take. In addition, in considering new purchases or transfers, contract owners may want to refer to their contract and Trust prospectuses or consult with their investment representatives to consider other investment options.

Please keep this supplement with your prospectus for future reference.

Financial Highlights

Franklin High Income VIP Fund

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$ 5.63	\$ 6.62	\$ 7.02	\$ 7.01	\$ 6.52
Income from investment operations ^a :					
Net investment income ^b	0.34	0.39	0.42	0.46	0.48
Net realized and unrealized gains (losses)	0.59	(0.93)	(0.38)	0.09	0.51
Total from investment operations	0.93	(0.54)	0.04	0.55	0.99
Less distributions from net investment income	(0.42)	(0.45)	(0.44)	(0.54)	(0.50)
Net asset value, end of year	\$ 6.14	\$ 5.63	\$ 6.62	\$ 7.02	\$ 7.01
Total return ^c	17.25%	(8.88)%	0.21%	8.17%	15.94%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.62%	0.59%	0.57%	0.58%	0.58%
Expenses net of waiver and payments by affiliates	0.61% ^d	0.59% ^d	0.57% ^d	0.58% ^d	0.58%
Net investment income	5.82%	6.20%	6.00%	6.63%	7.15%
Supplemental data					
Net assets, end of year (000's)	\$389	\$26,835	\$34,552	\$39,300	\$42,166
Portfolio turnover rate	37.79% ^e	28.56%	39.46%	30.78%	37.03%

^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%.

^eExcludes the value of portfolio securities delivered as a result of a redemption in-kind. See Note 11.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Franklin High Income VIP Fund (continued)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$ 5.44	\$ 6.41	\$ 6.81	\$ 6.82	\$ 6.36
Income from investment operations ^a :					
Net investment income ^b	0.31	0.36	0.39	0.43	0.46
Net realized and unrealized gains (losses)	0.58	(0.90)	(0.37)	0.08	0.48
Total from investment operations	0.89	(0.54)	0.02	0.51	0.94
Less distributions from net investment income	(0.41)	(0.43)	(0.42)	(0.52)	(0.48)
Net asset value, end of year	\$ 5.92	\$ 5.44	\$ 6.41	\$ 6.81	\$ 6.82
Total return ^c	16.95%	(9.12)%	(0.02)%	7.83%	15.56%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.87%	0.84%	0.82%	0.83%	0.83%
Expenses net of waiver and payments by affiliates	0.86% ^d	0.84% ^d	0.82% ^d	0.83% ^d	0.83%
Net investment income	5.57%	5.95%	5.75%	6.38%	6.90%
Supplemental data					
Net assets, end of year (000's)	\$41,932	\$205,339	\$261,944	\$291,826	\$281,851
Portfolio turnover rate	37.79% ^e	28.56%	39.46%	30.78%	37.03%

^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%.

^eExcludes the value of portfolio securities delivered as a result of a redemption in-kind. See Note 11.

Franklin High Income VIP Fund (continued)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$ 5.56	\$ 6.54	\$ 6.94	\$ 6.94	\$ 6.46
Income from investment operations ^a :					
Net investment income ^b	0.31	0.37	0.39	0.43	0.46
Net realized and unrealized gains (losses)	0.59	(0.92)	(0.38)	0.08	0.49
Total from investment operations	0.90	(0.55)	0.01	0.51	0.95
Less distributions from net investment income	(0.40)	(0.43)	(0.41)	(0.51)	(0.47)
Net asset value, end of year	\$ 6.06	\$ 5.56	\$ 6.54	\$ 6.94	\$ 6.94
Total return ^c	16.83%	(9.20)%	(0.15)%	7.72%	15.50%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.97%	0.94%	0.92%	0.93%	0.93%
Expenses net of waiver and payments by affiliates	0.96% ^d	0.94% ^d	0.92% ^d	0.93% ^d	0.93%
Net investment income	5.47%	5.85%	5.65%	6.28%	6.80%
Supplemental data					
Net assets, end of year (000's)	\$21,765	\$21,708	\$25,740	\$27,789	\$27,664
Portfolio turnover rate	37.79% ^e	28.56%	39.46%	30.78%	37.03%

^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%.

^eExcludes the value of portfolio securities delivered as a result of a redemption in-kind. See Note 11.

Statement of Investments, December 31, 2016

Franklin High Income VIP Fund

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests 2.8%			
Energy 2.5%			
^{a,b} Goodrich Petroleum Corp.	United States	9,233	\$ 107,408
^{a,b} Halcon Resources Corp.	United States	117,731	986,609
^a Halcon Resources Corp., wts., 9/09/20	United States	10,485	21,704
^a Midstates Petroleum Co. Inc.	United States	153	3,173
^{a,c} Midstates Petroleum Co. Inc., wts., 4/21/20	United States	1,086	—
^a Penn Virginia Corp.	United States	1,489	72,961
^{a,d} Penn Virginia Corp., 144A.	United States	8,285	405,965
			<u>1,597,820</u>
Materials 0.0%†			
^a Verso Corp., A.	United States	1,562	11,090
^a Verso Corp., wts., 7/25/23.	United States	732	—
			<u>11,090</u>
Transportation 0.1%			
^{a,c} CEVA Holdings LLC.	United States	224	22,428
Utilities 0.2%			
Vistra Energy Corp.	United States	9,612	148,986
Total Common Stocks and Other Equity Interests (Cost \$4,867,809)			
			<u>1,780,324</u>
Convertible Preferred Stocks 0.2%			
Transportation 0.2%			
^{a,c} CEVA Holdings LLC, cvt. pfd., A-1	United States	6	1,950
^{a,c} CEVA Holdings LLC, cvt. pfd., A-2	United States	486	109,240
Total Convertible Preferred Stocks (Cost \$731,856)			
			<u>111,190</u>
		Principal Amount*	
Corporate Bonds 91.8%			
Automobiles & Components 1.7%			
Fiat Chrysler Automobiles NV, senior note, 5.25%, 4/15/23.	United Kingdom	\$ 474,000	484,957
The Goodyear Tire & Rubber Co., senior bond, 5.00%, 5/31/26.	United States	625,000	623,712
			<u>1,108,669</u>
Banks 3.3%			
^e Bank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	562,000	584,480
CIT Group Inc., senior note, 5.375%, 5/15/20	United States	225,000	239,625
senior note, 5.00%, 8/15/22.	United States	382,000	399,190
^e Citigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	429,000	425,890
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	449,000	477,520
			<u>2,126,705</u>
Capital Goods 5.1%			
^d Allison Transmission Inc., senior note, 144A, 5.00%, 10/01/24	United States	629,000	636,862
^d Cloud Crane LLC, secured note, second lien, 144A, 10.125%, 8/01/24.	United States	315,000	337,838
CNH Industrial Capital LLC, senior note, 3.875%, 10/15/21.	United States	637,000	628,241
^d Cortes NP Acquisition Corp., senior note, 144A, 9.25%, 10/15/24	United States	562,000	598,530
Navistar International Corp., senior bond, 8.25%, 11/01/21.	United States	315,000	319,725

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Capital Goods (continued)			
TransDigm Inc.,			
senior sub. bond, 6.50%, 7/15/24	United States	\$ 225,000	\$ 236,531
^d senior sub. bond, 144A, 6.375%, 6/15/26	United States	368,000	379,776
senior sub. note, 6.00%, 7/15/22	United States	113,000	118,085
			<u>3,255,588</u>
Commercial & Professional Services 1.5%			
^d Acosta Inc., senior note, 144A, 7.75%, 10/01/22	United States	449,000	379,405
^{c,f} Goss Graphic Systems Inc., senior sub. note, 12.25%, 11/19/05	United States	1,912,374	191
United Rentals North America Inc., senior bond, 5.75%, 11/15/24	United States	562,000	592,910
			<u>972,506</u>
Consumer Durables & Apparel 3.8%			
^d Hanesbrands Inc., senior bond, 144A, 4.875%, 5/15/26	United States	449,000	441,143
KB Home,			
senior bond, 7.50%, 9/15/22	United States	472,000	500,320
senior note, 7.00%, 12/15/21	United States	158,000	167,875
PulteGroup Inc., senior bond, 5.00%, 1/15/27	United States	694,000	661,902
^d Taylor Morrison Communities Inc./Monarch Communities Inc.,			
senior note, 144A, 5.25%, 4/15/21	United States	203,000	209,090
senior note, 144A, 5.875%, 4/15/23	United States	135,000	137,700
senior note, 144A, 5.625%, 3/01/24	United States	337,000	342,055
			<u>2,460,085</u>
Consumer Services 3.2%			
^d 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	562,000	480,510
^d KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC,			
senior note, 144A, 5.00%, 6/01/24	United States	225,000	230,344
senior note, 144A, 5.25%, 6/01/26	United States	225,000	228,937
^d ROC Finance LLC/ROC Finance 1 Corp., senior secured note, first lien, 144A, 6.75%, 11/15/21	United States	500,000	507,500
^d Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.50%, 3/01/25	United States	360,000	358,020
^d Wynn Macau Ltd., senior note, 144A, 5.25%, 10/15/21	Macau	270,000	273,375
			<u>2,078,686</u>
Diversified Financials 5.4%			
AerCap Ireland Capital Ltd./AerCap Global Aviation Trust,			
senior note, 4.625%, 10/30/20	Netherlands	382,000	398,436
senior note, 4.625%, 7/01/22	Netherlands	225,000	232,602
^d Grinding Media Inc./MC Grinding Media Canada Inc., senior secured note, 144A, 7.375%, 12/15/23	United States	100,000	105,310
^d Hilton Domestic Operating Co. Inc., first lien, senior note, 144A, 4.25%, 9/01/24	United States	660,000	643,500
^d Lincoln Finance Ltd., senior secured note, 144A, 7.375%, 4/15/21	Netherlands	562,000	600,637
^d MSCI Inc., senior note, 144A, 4.75%, 8/01/26	United States	782,000	777,112
Navient Corp.,			
senior note, 6.625%, 7/26/21	United States	247,000	261,820
senior note, 7.25%, 9/25/23	United States	449,000	462,470
			<u>3,481,887</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy 10.7%			
^d California Resources Corp., secured note, second lien, 144A, 8.00%, 12/15/22	United States	\$ 484,000	\$ 433,180
Calumet Specialty Products Partners LP/Calumet Finance Corp., senior note, 7.75%, 4/15/23	United States	337,000	281,395
^d senior note, 144A, 11.50%, 1/15/21	United States	135,000	154,913
CGG SA, senior note, 6.875%, 1/15/22	France	292,000	135,780
^d Cheniere Corpus Christi Holdings LLC, senior secured note, 144A, 7.00%, 6/30/24	United States	225,000	244,688
senior secured note, first lien, 144A, 5.875%, 3/31/25	United States	200,000	204,812
CONSOL Energy Inc., senior note, 5.875%, 4/15/22	United States	247,000	243,295
senior note, 8.00%, 4/01/23	United States	405,000	417,656
CSI Compressco LP/CSI Compressco Finance Inc., senior note, 7.25%, 8/15/22	United States	158,000	150,100
Energy Transfer Equity LP, senior note, first lien, 7.50%, 10/15/20	United States	484,000	542,080
senior secured bond, first lien, 5.50%, 6/01/27	United States	113,000	110,740
^{d,g} EnQuest PLC, 144A, PIK, 7.00%, 4/15/22	United Kingdom	585,761	424,387
Ferrellgas LP/Ferrellgas Finance Corp., senior note, 6.75%, 6/15/23	United States	539,000	532,262
Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21	United States	247,000	245,148
^d Murray Energy Corp., secured note, second lien, 144A, 11.25%, 4/15/21	United States	270,000	209,250
QEP Resources Inc., senior bond, 5.375%, 10/01/22	United States	225,000	226,688
senior bond, 5.25%, 5/01/23	United States	337,000	339,527
Sabine Pass Liquefaction LLC, first lien, 5.625%, 2/01/21	United States	539,000	579,425
^h Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	405,000	414,112
senior note, 6.125%, 1/15/23	United States	225,000	214,875
Weatherford International Ltd., senior note, 7.75%, 6/15/21	United States	225,000	228,094
senior note, 8.25%, 6/15/23	United States	292,000	297,840
WPX Energy Inc., senior note, 8.25%, 8/01/23	United States	225,000	252,562
			<u>6,882,809</u>
Food, Beverage & Tobacco 3.6%			
Cott Beverages Inc., senior note, 6.75%, 1/01/20	United States	247,000	256,108
^d Dole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19	United States	113,000	115,543
^d JBS USA LLC/Finance Inc., senior bond, 144A, 5.875%, 7/15/24	United States	337,000	349,637
senior note, 144A, 8.25%, 2/01/20	United States	225,000	231,750
^d Lamb Weston Holdings Inc., senior note, 144A, 4.625%, 11/01/24	United States	100,000	100,500
senior note, 144A, 4.875%, 11/01/26	United States	600,000	595,125
^d Post Holdings Inc., senior bond, 144A, 5.00%, 8/15/26	United States	671,000	644,160
			<u>2,292,823</u>
Health Care Equipment & Services 4.5%			
Acadia Healthcare Co. Inc., senior note, 6.50%, 3/01/24	United States	158,000	161,950
Alere Inc., senior sub. note, 6.50%, 6/15/20	United States	45,000	44,550
CHS/Community Health Systems Inc., senior note, 7.125%, 7/15/20	United States	158,000	120,918
senior note, 6.875%, 2/01/22	United States	517,000	361,900
DaVita Inc., senior bond, 5.125%, 7/15/24	United States	449,000	448,719

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Health Care Equipment & Services (continued)			
HCA Inc.,			
senior bond, 5.875%, 5/01/23	United States	\$ 225,000	\$ 239,625
senior bond, 5.375%, 2/01/25	United States	337,000	338,264
senior secured note, first lien, 5.00%, 3/15/24	United States	517,000	533,156
Tenet Healthcare Corp., senior note, 8.125%, 4/01/22	United States	674,000	639,289
			<u>2,888,371</u>
Materials 13.8%			
ArcelorMittal, senior note, 6.50%, 3/01/21	France	427,000	466,647
^{d,g,i} ARD Finance SA, senior secured note, 144A, PIK, 7.125%, 9/15/23	Luxembourg	400,000	397,000
^d Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 6.00%, 6/30/21	Luxembourg	427,000	436,074
^d Barmingo Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18	Australia	360,000	367,650
^d Cemex Finance LLC, senior secured note, first lien, 144A, 6.00%, 4/01/24	Mexico	382,000	394,940
^d Cemex SAB de CV, senior secured bond, first lien, 144A, 6.125%, 5/05/25	Mexico	315,000	324,340
The Chemours Co.,			
senior bond, 7.00%, 5/15/25	United States	113,000	111,870
senior note, 6.625%, 5/15/23	United States	405,000	402,975
^d CVR Partners LP/CVR Nitrogen Finance Corp., secured note, second lien, 144A, 9.25%, 6/15/23	United States	449,000	464,154
^d Eldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20	Canada	360,000	367,200
^d First Quantum Minerals Ltd.,			
senior note, 144A, 6.75%, 2/15/20	Canada	449,000	450,122
senior note, 144A, 7.00%, 2/15/21	Canada	413,000	412,835
^d HudBay Minerals Inc., senior note, 144A, 7.25%, 1/15/23	Canada	100,000	103,750
^d NOVA Chemicals Corp., senior bond, 144A, 5.00%, 5/01/25	Canada	449,000	441,003
^d Novelis Corp., senior note, 144A, 6.25%, 8/15/24	United States	562,000	597,125
^d Owens-Brockway Glass Container Inc.,			
senior note, 144A, 5.00%, 1/15/22	United States	615,000	631,144
senior note, 144A, 5.875%, 8/15/23	United States	135,000	140,991
^d Platform Specialty Products Corp., senior note, 144A, 6.50%, 2/01/22	United States	337,000	341,213
^d Rain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%, 1/15/21	United States	270,000	268,650
^d Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA,			
first lien, 144A, 5.125%, 7/15/23	United States	382,000	388,685
senior note, 144A, 7.00%, 7/15/24	United States	449,000	477,904
Steel Dynamics Inc.,			
senior bond, 5.50%, 10/01/24	United States	180,000	191,250
senior note, 5.125%, 10/01/21	United States	180,000	188,629
Summit Materials LLC/Summit Materials Finance Corp., senior note, 8.50%, 4/15/22	United States	405,000	449,550
			<u>8,815,701</u>
Media 8.4%			
^d Altice U.S. Finance I Corp., senior secured bond, 144A, 5.50%, 5/15/26	United States	449,000	459,102
AMC Networks Inc., senior note, 5.00%, 4/01/24	United States	337,000	339,106
CCO Holdings LLC/CCO Holdings Capital Corp.,			
senior bond, 5.25%, 9/30/22	United States	225,000	233,438
^d senior bond, 144A, 5.375%, 5/01/25	United States	180,000	185,850
^d senior bond, 144A, 5.75%, 2/15/26	United States	113,000	117,238
Clear Channel Worldwide Holdings Inc.,			
senior note, 6.50%, 11/15/22	United States	225,000	231,188
senior sub. note, 7.625%, 3/15/20	United States	247,000	247,771

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Media (continued)			
CSC Holdings LLC,			
^d senior bond, 144A, 5.50%, 4/15/27	United States	\$ 113,000	\$ 114,695
senior note, 6.75%, 11/15/21	United States	337,000	363,117
senior note, 5.25%, 6/01/24	United States	225,000	220,500
DISH DBS Corp., senior note, 5.875%, 11/15/24	United States	686,000	708,466
iHeartCommunications Inc.,			
senior secured bond, first lien, 9.00%, 3/01/21	United States	562,000	417,987
senior secured note, first lien, 9.00%, 9/15/22	United States	158,000	116,723
^d Nextstar Escrow Corp., senior note, 144A, 5.625%, 8/01/24	United States	558,000	555,210
^d Radio One Inc., senior sub. note, 144A, 9.25%, 2/15/20	United States	380,000	346,750
^d Univision Communications Inc., senior secured note, first lien, 144A, 5.125%, 2/15/25	United States	600,000	576,000
^d WMG Acquisition Corp., senior note, 144A, 5.625%, 4/15/22	United States	140,000	145,425
			<u>5,378,566</u>
Pharmaceuticals, Biotechnology & Life Sciences 3.4%			
^d Concordia International Corp.,			
senior note, 144A, 7.00%, 4/15/23	Canada	292,000	90,520
senior secured note, first lien, 144A, 9.00%, 4/01/22	Canada	135,000	114,919
^d Endo Finance LLC/Endo Ltd./Endo Finco Inc.,			
senior bond, 144A, 6.00%, 2/01/25	United States	337,000	282,237
senior note, 144A, 6.00%, 7/15/23	United States	158,000	139,435
Horizon Pharma Inc., senior note, 6.625%, 5/01/23	United States	562,000	536,710
^d Horizon Pharma Inc./Horizon Pharma USA Inc., senior note, 144A, 8.75%, 11/01/24	United States	113,000	114,978
^d Jaguar Holding Co. II/Pharmaceutical Product Development LLC, senior note, 144A, 6.375%, 8/01/23	United States	203,000	217,718
^d Valeant Pharmaceuticals International, senior note, 144A, 6.375%, 10/15/20	United States	574,000	495,970
^d Valeant Pharmaceuticals International Inc.,			
senior bond, 144A, 6.125%, 4/15/25	United States	158,000	119,290
senior note, 144A, 5.625%, 12/01/21	United States	68,000	53,040
			<u>2,164,817</u>
Real Estate 1.2%			
Equinix Inc., senior bond, 5.375%, 4/01/23	United States	729,000	759,983
Retailing 1.7%			
Netflix Inc., senior bond, 5.875%, 2/15/25	United States	427,000	461,694
^d PetSmart Inc., senior note, 144A, 7.125%, 3/15/23	United States	584,000	597,140
			<u>1,058,834</u>
Semiconductors & Semiconductor Equipment 0.5%			
Qorvo Inc., senior bond, 7.00%, 12/01/25	United States	270,000	300,375
Software & Services 2.9%			
^d BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	574,000	539,201
^d First Data Corp.,			
second lien, 144A, 5.75%, 1/15/24	United States	652,000	675,231
senior note, 144A, 7.00%, 12/01/23	United States	158,000	168,665
Infor (U.S.) Inc., senior note, 6.50%, 5/15/22	United States	462,000	482,790
			<u>1,865,887</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Technology Hardware & Equipment 3.5%			
Blackboard Inc., second lien, 144A, 9.75%, 10/15/21	United States	\$ 467,000	\$ 481,010
CommScope Technologies Finance LLC, senior bond, 144A, 6.00%, 6/15/25	United States	660,000	702,900
Diamond 1 Finance Corp./Diamond 2 Finance Corp., senior note, 144A, 5.875%, 6/15/21	United States	68,000	72,351
senior note, 144A, 7.125%, 6/15/24	United States	68,000	75,503
senior secured bond, first lien, 144A, 6.02%, 6/15/26	United States	113,000	122,471
senior secured note, first lien, 144A, 5.45%, 6/15/23	United States	158,000	167,648
Western Digital Corp., senior note, 144A, 10.50%, 4/01/24	United States	539,000	638,715
			<u>2,260,598</u>
Telecommunication Services 7.9%			
CenturyLink Inc., senior note, 5.80%, 3/15/22	United States	562,000	576,545
Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Bermuda	337,000	289,314
Digicel Ltd., senior note, 144A, 6.00%, 4/15/21	Bermuda	494,000	448,305
Hughes Satellite Systems Corp., senior bond, 144A, 6.625%, 8/01/26	United States	539,000	543,042
Intelsat Jackson Holdings SA, senior bond, 5.50%, 8/01/23	Luxembourg	337,000	229,160
senior note, 7.50%, 4/01/21	Luxembourg	754,000	578,695
Sprint Communications Inc., senior note, 144A, 9.00%, 11/15/18	United States	158,000	174,590
Sprint Corp., senior bond, 7.875%, 9/15/23	United States	113,000	120,910
senior bond, 7.125%, 6/15/24	United States	113,000	116,673
Sprint Spectrum Co. LLC/Sprint Spectrum Co. II LLC, 144A, 3.36%, 3/20/23	United States	741,000	744,238
T-Mobile USA Inc., senior bond, 6.50%, 1/15/24	United States	203,000	218,225
senior bond, 6.375%, 3/01/25	United States	360,000	385,650
senior note, 6.00%, 4/15/24	United States	135,000	142,594
Wind Acquisition Finance SA, secured note, second lien, 144A, 7.375%, 4/23/21	Italy	474,000	493,244
			<u>5,061,185</u>
Transportation 1.5%			
Florida East Coast Holdings Corp., secured note, first lien, 144A, 6.75%, 5/01/19	United States	203,000	210,612
senior note, 144A, 9.75%, 5/01/20	United States	113,000	116,673
Stena International SA, senior secured bond, first lien, 144A, 5.75%, 3/01/24	Sweden	158,000	137,926
XPO Logistics Inc., senior note, 144A, 6.125%, 9/01/23	United States	449,000	470,889
			<u>936,100</u>
Utilities 4.2%			
Calpine Corp., senior bond, 5.75%, 1/15/25	United States	382,000	370,540
senior note, 5.375%, 1/15/23	United States	292,000	286,890
Dynegy Inc., senior bond, 7.625%, 11/01/24	United States	449,000	416,447
senior note, 144A, 8.00%, 1/15/25	United States	225,000	210,938
InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	674,000	603,230
NRG Yield Operating LLC, senior bond, 5.375%, 8/15/24	United States	349,000	352,490
senior bond, 144A, 5.00%, 9/15/26	United States	360,000	345,600
Talen Energy Supply LLC, senior note, 6.50%, 6/01/25	United States	158,000	122,845
			<u>2,708,980</u>
Total Corporate Bonds (Cost \$60,159,652)			<u>58,859,155</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin High Income VIP Fund (continued)

	Country	Shares	Value
Escrows and Litigation Trusts 0.2%			
^{a,c} Midstates Petroleum Co. Inc./Midstates Petroleum Co. LLC, Litigation Trust	United States	337,000	\$ —
^{a,c} NewPage Corp., Litigation Trust	United States	2,500,000	—
^a Penn Virginia Corp., Litigation Trust	United States	1,200,000	30,000
^{a,c} Vistra Energy Corp., Litigation Trust	United States	2,500,000	29,000
^a Vistra Energy Corp., Litigation Trust, TRA	United States	42,815	62,082
Total Escrows and Litigation Trusts (Cost \$239,490)			<u>121,082</u>
Total Investments before Short Term Investments (Cost \$65,998,807)			<u>60,871,751</u>
		Principal Amount*	
Short Term Investments (Cost \$3,447,434) 5.4%			
Repurchase Agreements 5.4%			
ⁱ Joint Repurchase Agreement, 0.437%, 1/03/17 (Maturity Value \$3,447,602)			
BNP Paribas Securities Corp. (Maturity Value \$1,449,200)			
Deutsche Bank Securities Inc. (Maturity Value \$181,102)			
HSBC Securities (USA) Inc. (Maturity Value \$1,449,200)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value \$368,100)			
Collateralized by U.S. Government Agency Securities, 0.00% - 1.75%, 6/09/17 - 2/26/19; ^k U.S. Treasury Bill, 5/04/17 - 5/25/17; U.S. Treasury Note, 0.50% - 3.50%, 12/31/16 - 8/31/21; and U.S. Treasury Note, Index Linked, 1.375%, 7/15/18 (valued at \$3,517,184)			
		\$3,447,434	<u>3,447,434</u>
Total Investments (Cost \$69,446,241) 100.4%			<u>64,319,185</u>
Other Assets, less Liabilities (0.4)%			<u>(232,857)</u>
Net Assets 100.0%			<u>\$64,086,328</u>

See Abbreviations on page FH- 33.

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

*The principal amount is stated in U.S. dollars unless otherwise indicated.

^aNon-income producing.

^bSee Note 8 regarding restricted securities.

^cSecurity has been deemed illiquid because it may not be able to be sold within seven days. At December 31, 2016, the aggregate value of these securities was \$162,809 representing 0.3% of net assets.

^dSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2016, the aggregate value of these securities was \$31,944,147, representing 49.8% of net assets.

^ePerpetual security with no stated maturity date.

^fSee Note 7 regarding defaulted securities.

^gIncome may be received in additional securities and/or cash.

^hAt December 31, 2016, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund is restricted from trading these securities at year end.

ⁱA portion or all of the security purchased on a delayed delivery basis. See Note 1(d).

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

^kThe security was issued on a discount basis with no stated coupon rate.

Financial Statements

Statement of Assets and Liabilities

December 31, 2016

	Franklin High Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$ 65,998,807
Cost - Repurchase agreements	3,447,434
Total cost of investments	<u>\$ 69,446,241</u>
Value - Unaffiliated issuers	\$ 60,871,751
Value - Repurchase agreements	3,447,434
Total value of investments	<u>64,319,185</u>
Cash	67
Receivables:	
Capital shares sold	41,006
Interest	934,030
Other assets	<u>22</u>
Total assets	<u>65,294,310</u>
Liabilities:	
Payables:	
Investment securities purchased	1,030,782
Capital shares redeemed	33,580
Management fees	23,215
Distribution fees	27,912
Accrued expenses and other liabilities	<u>92,493</u>
Total liabilities	<u>1,207,982</u>
Net assets, at value	<u>\$ 64,086,328</u>
Net assets consist of:	
Paid-in capital	\$ 84,232,177
Undistributed net investment income	12,730,264
Net unrealized appreciation (depreciation)	(5,127,056)
Accumulated net realized gain (loss)	<u>(27,749,057)</u>
Net assets, at value	<u>\$ 64,086,328</u>
Class 1:	
Net assets, at value	<u>\$ 389,454</u>
Shares outstanding	<u>63,398</u>
Net asset value and maximum offering price per share	<u>\$6.14</u>
Class 2:	
Net assets, at value	<u>\$ 41,931,687</u>
Shares outstanding	<u>7,080,380</u>
Net asset value and maximum offering price per share	<u>\$5.92</u>
Class 4:	
Net assets, at value	<u>\$ 21,765,187</u>
Shares outstanding	<u>3,589,916</u>
Net asset value and maximum offering price per share	<u>\$6.06</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statement of Operations

for the year ended December 31, 2016

	Franklin High Income VIP Fund
<hr/>	
Investment income:	
Dividends	\$ 22,300
Interest	14,626,789
Total investment income	<u>14,649,089</u>
Expenses:	
Management fees (Note 3a)	1,252,862
Distribution fees: (Note 3c)	
Class 2	454,367
Class 4	78,660
Custodian fees (Note 4)	1,769
Reports to shareholders	57,081
Professional fees	60,835
Trustees' fees and expenses	1,220
Other	32,063
Total expenses	1,938,857
Expense reductions (Note 4)	(80)
Expenses waived/paid by affiliates (Note 3e)	<u>(18,095)</u>
Net expenses	1,920,682
Net investment income	<u>12,728,407</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from investments (includes loss from a redemption in-kind of \$10,734,357) (Note 11)	(15,918,236)
Net change in unrealized appreciation (depreciation) on investments	<u>42,121,378</u>
Net realized and unrealized gain (loss)	26,203,142
Net increase (decrease) in net assets resulting from operations	<u>\$ 38,931,549</u>

Statements of Changes in Net Assets

	Franklin High Income VIP Fund	
	Year Ended December 31,	
	2016	2015
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 12,728,407	\$ 17,823,602
Net realized gain (loss)	(15,918,236)	(8,895,014)
Net change in unrealized appreciation (depreciation)	42,121,378	(34,561,954)
Net increase (decrease) in net assets resulting from operations	38,931,549	(25,633,366)
Distributions to shareholders from:		
Net investment income:		
Class 1	(1,890,311)	(2,177,640)
Class 2	(14,579,216)	(17,219,440)
Class 4	(1,529,698)	(1,604,998)
Total distributions to shareholders	(17,999,225)	(21,002,078)
Capital share transactions: (Note 2)		
Class 1	(28,565,813)	(2,896,859)
Class 2	(180,200,753)	(18,609,864)
Class 4	(1,961,507)	(212,162)
Total capital share transactions	(210,728,073)	(21,718,885)
Net increase (decrease) in net assets	(189,795,749)	(68,354,329)
Net assets:		
Beginning of year	253,882,077	322,236,406
End of year	\$ 64,086,328	\$253,882,077
Undistributed net investment income included in net assets:		
End of year	\$ 12,730,264	\$ 16,279,338

Notes to Financial Statements

Franklin High 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 nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin High Income VIP Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. 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 differs 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 as of 4 p.m. Eastern time each day the New York Stock Exchange (NYSE) is open for trading. 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 VC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in

effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

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

Investments in 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 VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC 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. The VC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Franklin High Income VIP Fund (continued)

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

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

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange

rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

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

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

c. 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

Franklin High Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

c. Joint Repurchase Agreement (continued)

repurchase price owed by the 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 30, 2016.

d. Securities Purchased on a Delayed Delivery Basis

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

e. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2016, 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 each tax jurisdiction's statute of limitation.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis 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. Fund specific expenses are charged directly to the Fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including 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.

g. 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.

h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as

Franklin High Income VIP Fund (continued)

this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At December 31, 2016, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2016		2015	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	112,783	\$ 652,747	75,416	\$ 488,620
Shares issued in reinvestment of distributions	336,354	1,890,311	345,109	2,177,640
Shares redeemed in-kind (Note 11)	(4,541,577)	(27,588,715)	—	—
Shares redeemed	(609,738)	(3,520,156)	(874,142)	(5,563,119)
Net increase (decrease)	(4,702,178)	\$ (28,565,813)	(453,617)	\$ (2,896,859)
Class 2 Shares:				
Shares sold	11,225,731	\$ 63,325,550	8,301,712	\$ 51,141,411
Shares issued in reinvestment of distributions	2,684,938	14,579,216	2,818,239	17,219,440
Shares redeemed in-kind (Note 11)	(32,646,934)	(191,428,559)	—	—
Shares redeemed	(11,899,974)	(66,676,960)	(14,249,319)	(86,970,715)
Net increase (decrease)	(30,636,239)	\$(180,200,753)	(3,129,368)	\$(18,609,864)
Class 4 Shares:				
Shares sold	187,202	\$ 1,019,031	185,105	\$ 1,139,732
Shares issued in reinvestment of distributions	275,126	1,529,698	256,800	1,604,998
Shares redeemed	(773,471)	(4,510,236)	(474,184)	(2,956,892)
Net increase (decrease)	(311,143)	\$ (1,961,507)	(32,279)	\$ (212,162)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. 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 High 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:

Annualized Fee Rate	Net Assets
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, 2016, the effective investment management fee rate was 0.550% 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.

e. Waiver and Expense Reimbursements

Effective October 17, 2016, Advisers has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the expenses (excluding distribution fees and acquired fund fees and expenses) for each class of the Fund do not exceed 0.66% based on the average net assets of each class (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until April 30, 2018. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

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 Funds' custodian expenses. During the year ended December 31, 2016, the custodian fees were reduced as noted in the Statement of Operations.

Franklin High Income VIP Fund (continued)

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2016, the capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:	
2017	\$10,621,353
Capital loss carryforwards not subject to expiration:	
Short term	—
Long term	<u>17,127,527</u>
Total capital loss carryforwards	<u>\$27,748,880^a</u>

^aSubject to certain limitations under Internal Revenue Code Section 382.

On December 31, 2016, the Fund had expired capital loss carryforwards of \$5,148,804, which were reclassified to paid-in capital.

The tax character of distributions paid during the years ended December 31, 2016 and 2015, was as follows:

	<u>2016</u>	<u>2015</u>
Distributions paid from ordinary income	<u>\$17,999,225</u>	<u>\$21,002,078</u>

At December 31, 2016, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	<u>\$70,067,669</u>
Unrealized appreciation	\$ 1,983,319
Unrealized depreciation	<u>(7,731,803)</u>
Net unrealized appreciation (depreciation)	<u>\$ (5,748,484)</u>
Distributable earnings - undistributed ordinary income . .	<u>\$13,498,838</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of defaulted securities, bond discounts and premiums, wash sales, and losses realized on in-kind shareholder redemptions.

In accordance with U.S. GAAP permanent differences are reclassified among capital accounts to reflect their tax character. At the year ended December 31, 2016, such reclassifications were as follows:

Paid-in capital	\$(14,919,592)
Undistributed net investment income	\$ 1,721,744
Accumulated net realized gain (loss)	\$ 13,197,848

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2016, aggregated \$83,157,403 and \$77,688,975, respectively. Sales of investments excludes in-kind transactions of \$205,884,291.

Franklin High Income VIP Fund (continued)

7. Credit Risk and Defaulted Securities

At December 31, 2016, Fund had 91.8% of its portfolio invested in high yield 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.

The Fund held a defaulted security and/or other securities for which the income has been deemed uncollectible. At December 31, 2016, the value of this security was \$191, representing less than 0.1% of the Fund's net assets. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The security has been identified in the accompanying Statement of Investments.

8. Restricted Securities

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

At December 31, 2016, the Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

Shares	Issuer	Acquisition Dates	Cost	Value
9,233	Goodrich Petroleum Corp.	10/13/16	\$ 81,647	\$ 107,408
117,731	^a Halcon Resources Corp.	10/23/12 - 4/08/14	3,365,853	986,609
Total Restricted Securities (Value is 1.7% of Net Assets)			\$3,447,500	\$1,094,017

^aThe Fund also invests in unrestricted securities or other investments in the issuer, valued at \$21,704 as of December 31, 2016.

9. Upcoming Liquidation

On December 1, 2016, the Board approved a proposal to liquidate the Fund. Effective at the close of market on or about April 21, 2017, the Fund will be closed to new investors and to additional investments from existing shareholders. The Fund is scheduled to liquidate on April 28, 2017, but may be delayed if unforeseen circumstances arise.

10. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 10, 2017. 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 10, 2017, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 9, 2018, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2016, the Fund did not use the Global Credit Facility.

Franklin High Income VIP Fund (continued)

11. Redemption In-Kind

During the year ended December 31, 2016, the Fund realized \$10,734,357 of net losses resulting from a redemption in-kind in which a shareholder redeemed fund shares for cash and securities held by the Fund. Because such losses are not taxable to the Fund, and are not netted with capital gains that are distributed to remaining shareholders, they have been reclassified from accumulated net realized losses to paid-in capital.

12. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

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

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of December 31, 2016, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments: ^a				
Energy	\$ 503,803	\$ —	\$ 1,094,017 ^b	\$ 1,597,820
Transportation	—	133,618 ^b	—	133,618
All Other Equity Investments ^c	160,076	—	— ^b	160,076
Corporate Bonds	—	58,858,964	191	58,859,155
Escrows and Litigation Trusts	—	62,082	59,000 ^b	121,082
Short Term Investments	—	3,447,434	—	3,447,434
Total Investments in Securities	\$ 663,879	\$ 62,502,098	\$ 1,153,208	\$ 64,319,185

^aIncludes common and convertible preferred stocks as well as other equity investments.

^bIncludes securities determined to have no value at December 31, 2016.

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

Franklin High Income VIP Fund (continued)

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the end of the year. At December 31, 2016, the reconciliation of assets, is as follows:

	Balance at Beginning of Year	Purchases	Sales	Transfers Into Level 3 ^a	Transfers out of Level 3 ^b	Cost Basis Adjustments	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Year	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Year End
Assets:										
Investments in Securities:										
Equity Investments:										
Energy	\$ —	\$—	\$(282,020)	\$1,483,984 ^c	\$ —	\$—	\$ —	\$ (107,947)	\$1,094,017 ^c	\$(107,947)
Corporate Bonds	453,991	—	(57,745)	—	(363,668)	—	(2,335,251)	2,302,864	191	—
Escrows and Litigation Trusts	— ^c	—	—	61,000 ^c	—	—	—	(2,000)	59,000 ^c	(2,000)
Total Investments in Securities	\$453,991	\$—	\$(339,765)	\$1,544,984	\$(363,668)	\$—	\$(2,335,251)	\$2,192,917	\$1,153,208	\$(109,947)

^aThe investments were transferred into Level 3 as a result of their value being determined using a significant unobservable input. May include amounts related to a corporate action.

^bThe investments were transferred out of Level 3 as a result of the removal of a significant unobservable valuation input. May include amounts related to a corporate action.

^cIncludes securities determined to have no value.

Significant unobservable valuation inputs developed by the VC for material Level 3 financial instruments and impact to fair value as a result of changes in unobservable valuation inputs as of December 31, 2016, are as follows:

Description	Fair Value at End of Year	Valuation Technique	Unobservable Input	Amount	Impact to Fair Value if Input Increases ^a
Assets:					
Investments in Securities:					
Equity Investments:					
Energy	\$1,094,017	Market Comparables	Discount for lack of marketability	6.2% - 10.3%	Decrease ^b
All other investments ^c	59,191				
Total.	\$1,153,208				

^aRepresents the directional change in the fair value of the Level 3 financial instruments that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.

^b Represents a significant impact to fair value of the investment but not net assets.

^cIncludes fair value of immaterial investments developed using various valuation techniques and unobservable inputs. May also include investments with values derived using prior transaction prices or third party pricing information without adjustment for which such inputs are also unobservable.

Franklin High Income VIP Fund (continued)

13. Investment Company Reporting Modernization

In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended existing rules (together, final rules) intended to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosures about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X is August 1, 2017. Management is currently evaluating the impact that the adoption of the amendments to Regulation S-X will have on the Fund's financial statements and related disclosures.

14. Subsequent Events

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

Abbreviations

Selected Portfolio

FRN Floating Rate Note

PIK Payment-In-Kind

TRA Tax Receivable Agreement Right

Report of Independent Registered Public Accounting Firm

Franklin High Income VIP Fund

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

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin High Income VIP Fund (the "Fund") as of December 31, 2016, 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 then ended and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities as of December 31, 2016 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion.

As discussed in Note 9, the Investment Manager is in the process of completing the liquidation of the Fund, after which the Fund will cease all operations. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

San Francisco, California

February 15, 2017

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges.

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

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

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

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

Bloomberg Commodity Index comprises exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

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

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

Credit Suisse (CS) High Yield Index is designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market.

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.

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 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 12/31/16, there were 305 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the 12-month period ended 12/31/16, there were 69 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 12/31/16, there were 55 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 High Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High Yield Funds aim at high (relative) current yield from fixed income securities, have no quality or maturity restrictions, and

tend to invest in lower grade debt issues. For the 12-month period ended 12/31/16, there were 109 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

MSCI All Country World Index (ACWI) ex USA Index captures large- and mid-capitalization representation across 22 of 23 developed markets countries (excluding the U.S.) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

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

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

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

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

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

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

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

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

Russell 2500™ Value Index is market capitalization weighted and measures performance of those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values.

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

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

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

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

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

Board Members and Officers

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

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	142	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).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	136	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and H.J. Heinz Company (processed foods and allied products) (1998-2006).
Principal Occupation During at Least the Past 5 Years: Senior Advisor, Strategic Investment Group (investment management group) (2015-present); director of various companies; and formerly , Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	142	Hess Corporation (exploration and refining 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) (November 2016), 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	142	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and formerly , Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	142	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).

Principal Occupation During at Least the Past 5 Years:

Director of various companies; John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (January 2015; previously 2011-2012); and **formerly**, Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	116	None
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Principal Occupation During at Least the Past 5 Years:

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

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	158	None

Principal Occupation During at Least the Past 5 Years:

Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, and Trustee	Chairman of the Board since 2013, and Trustee since 1988	142	None
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Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 42 of the investment companies in Franklin Templeton Investments.

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

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

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
Laura F. Ferguson (1962) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; Vice President, Franklin Advisers, Inc. and Franklin Templeton Institutional, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and Franklin Alternative Strategies Advisers, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2010	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.				
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since May 2016	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 45 of the investment companies in Franklin Templeton Investments.				

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 C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and formerly , Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				

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

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

Note 3: Effective May 13, 2016, Frank J. Crothers ceased to be a trustee of the Trust.

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

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

Shareholder Information

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 on Form N-Q. Shareholders may view the filed Form N-Q 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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Annual Report
Franklin Templeton Variable Insurance Products Trust

Investment Managers

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

Fund Administrator

Franklin Templeton Services, LLC

Distributor

Franklin Templeton Distributors, Inc.

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

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

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