

Franklin Templeton Variable Insurance Products Trust

Franklin Managed Volatility Global Allocation VIP Fund

Annual Report

Important Notes to Performance Information

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

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

Franklin Managed Volatility Global Allocation VIP Fund

We are pleased to bring you Franklin Managed Volatility Global Allocation VIP Fund's annual report for the fiscal year ended December 31, 2014.

Class 2 Performance Summary as of 12/31/14

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

Periods Ended 12/31/14	1-Year	Since Inception (4/1/13)
Average Annual Total Return	+3.60%	+3.53%

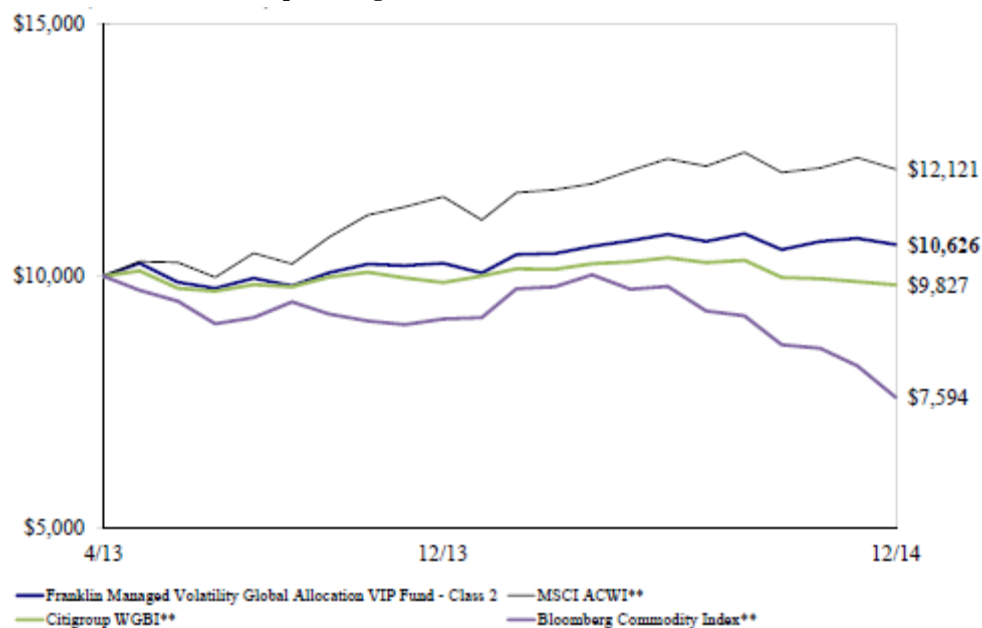
*The Fund has an expense reduction contractually guaranteed through at least 4/30/15, a fee waiver related to the management fee paid by a Fund subsidiary, and a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the expense reduction and fee waivers, to the extent applicable; without these reductions, the results would have been lower.

*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (4/1/13–12/31/14)

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



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

Class 2 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes.
- 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 expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. 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.

The table shows Fund-level ongoing expenses and can help you understand these expenses 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 first line (Actual) of the table provides actual account values and expenses. The “Ending Account Value” is derived from the Fund’s actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by \$1,000.

If an account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$.

2. Multiply the result by the number under the heading “Fund-Level Expenses Incurred During Period.”

If Fund-Level Expenses Incurred During Period were \$7.50, then $8.6 \times \$7.50 = \64.50 .

In this illustration, the estimated expenses incurred this period at the Fund level are \$64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical “Ending Account Value” is based on the Fund’s actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund’s actual return. The figure under the heading “Fund-Level Expenses Incurred During Period” shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 7/1/14	Ending Account Value 12/31/14	Expenses Paid During Period* 7/1/14–12/31/14
Actual	\$1,000	\$980.90	\$5.39
Hypothetical (5% return before expenses)	\$1,000	\$1,019.76	\$5.50

*Expenses are calculated using the most recent six-month annualized expense ratio, net of expense waivers, for the Fund’s Class 2 shares (1.08%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Managed Volatility Global Allocation VIP Fund

We are pleased to bring you Franklin Managed Volatility Global Allocation VIP Fund's annual report for the fiscal year ended December 31, 2014.

Class 5 Performance Summary as of 12/31/14

Average annual total return of Class 5 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 12/31/14	1-Year	Since Inception (4/1/13)
Average Annual Total Return	+3.75%	+3.68%

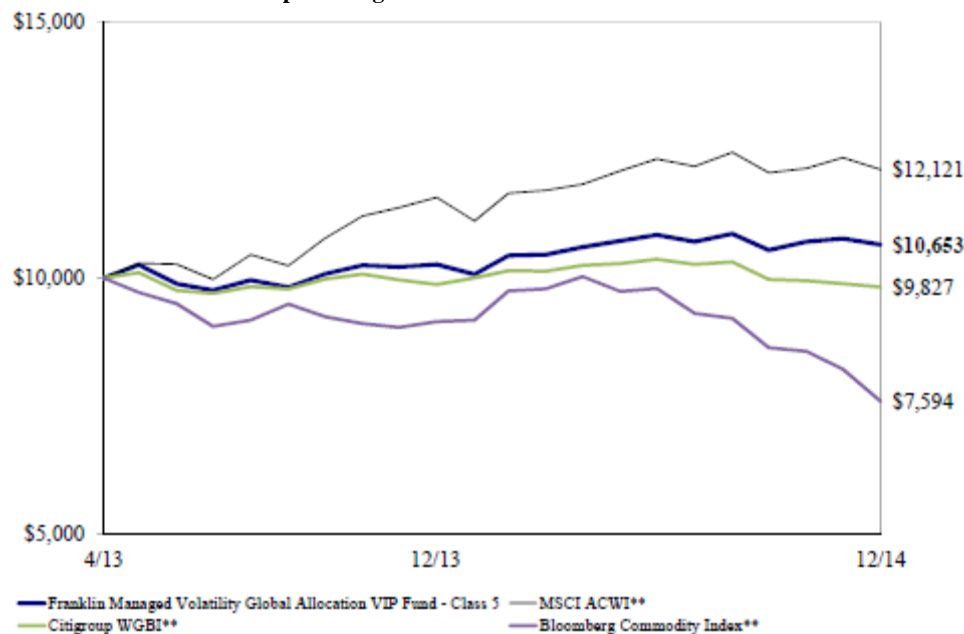
*The Fund has an expense reduction contractually guaranteed through at least 4/30/15, a fee waiver related to the management fee paid by a Fund subsidiary, and a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the expense reduction and fee waivers, to the extent applicable; without these reductions, the results would have been lower.

*Performance reflects the Fund's Class 5 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 (4/1/13–12/31/14)

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



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

Class 5 Fund Expenses

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Actual Fund Expenses

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If an account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$.

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Class 5	Beginning Account Value 7/1/14	Ending Account Value 12/31/14	Expenses Paid During Period* 7/1/14–12/31/14
Actual	\$1,000	\$982.40	\$4.65
Hypothetical (5% return before expenses)	\$1,000	\$1,020.52	\$4.74

*Expenses are calculated using the most recent six-month annualized expense ratio, net of expense waivers, for the Fund’s Class 5 shares (0.93%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Annual Report

Franklin Managed Volatility Global Allocation VIP Fund

Fund Goals and Main Investments

The Fund seeks total return (including income and capital gains) while seeking to manage volatility.

Fund Risks

All investments involve risks, including possible loss of principal. There can be no guarantee that the Fund will achieve its target volatility. Also, the managed volatility strategy could negatively impact the Fund's return and expose the Fund to additional costs. Generally, investors should be comfortable with fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Foreign investing carries additional risks such as currency and market volatility and political or social instability, which are heightened in developing countries. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio, which may result in significant volatility and cause the Fund to participate in losses on an amount that exceeds the Fund's initial investment. The Fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform. Because the Fund allocates assets to a variety of investment strategies, ETFs and other mutual funds, which involve certain risks, it may be subject to those same risks. 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 generated a +1.53% total return for the same period.¹ The benchmark is a combination of the MSCI ACWI, which measures stock performance in global developed and emerging markets; the Citigroup WGBI, which measures performance of investment-grade world government bonds; and the Bloomberg Commodity Index, which measures performance of exchange-traded futures contracts on physical commodities.²

Economic and Market Overview

The global economy grew moderately during the 12 months under review as U.S. economic growth expanded while growth rates in much of the rest of the world declined. As measured by the MSCI World Index, stocks in global developed markets advanced overall during the 12-month period amid a generally accommodative monetary policy environment and continued strength in corporate earnings.³ Oil prices declined sharply during the 12-month period, resulting from weak global demand growth and strong world supply, and gold prices ended lower amid benign global inflation and a strong U.S. dollar.

U.S. economic growth trends were generally encouraging during the period. Economic activity expanded for most of 2014, supported in some quarters by increased consumer spending, business investment and federal defense spending. The U.S. Federal Reserve Board (Fed) began

reducing its large-scale bond purchases \$10 billion a month in January and ended the buying program in October. But it continued its practice of maintaining holdings of longer term securities at sizable levels. The Fed believed underlying economic strength could support ongoing progress in labor market conditions. Toward period-end, the Fed stated that it could be patient with regard to raising interest rates and that the interest rate might not rise for at least a couple of meetings, possibly implying at least the first two meetings of 2015.

Outside the U.S., the U.K. economy grew relatively well, supported by the services and manufacturing sectors. In the eurozone, economic growth remained subdued, as concerns persisted about the potential negative impacts to growth from the crisis in Ukraine and China's moderating growth rate. However, third-quarter economic growth, though meager, exceeded expectations, especially in the region's major economies of Germany and France. In June, the European Central Bank (ECB) reduced its main interest rate and, for the first time, set a negative deposit rate; the ECB reduced both rates again in September. The ECB broadened its monetary easing stance by implementing an asset purchase program to prevent deflation and stimulate the economy. Toward period-end, the ECB cut its 2014 growth forecast for the eurozone and attributed the reduction to geopolitical risks dampening confidence and private investment.

Japan's second- and third-quarter economic contractions indicated the economy was in a recession. However, private consumption and exports improved in the third quarter. In October, the Bank of Japan expanded its stimulus measures amid weak domestic demand and as substantially lower crude oil prices exerted further downward pressure on inflation. Toward period-end, Japan's ruling coalition was reelected in early parliamentary elections and subsequently announced a fresh stimulus package aimed at reviving economic growth.

In several emerging markets, economic growth generally moderated. However, Brazil exited recession as government spending prior to a presidential election drove third-quarter economic growth. Emerging market equities, as measured by the MSCI Emerging Markets Index, fell for the 12-month period, amid headwinds such as soft domestic demand and weak exports in several countries.³ Falling crude oil prices and geopolitical tensions in certain regions, as well as concerns about the timing of U.S. interest rate increases, also pressured emerging market equities. Many emerging market currencies depreciated against the U.S. dollar, leading central banks in several countries to raise interest rates in an effort to curb inflation and support their currencies. Several other central banks lowered interest rates to promote economic growth. After implementing monetary stimulus measures to support specific sectors, China's central bank increased its efforts to bolster the economy by cutting its benchmark interest rates for the first time since July 2012. In contrast, Russia's central bank raised its key interest rate sharply toward period-end to limit further devaluation of the Russian ruble and contain rising inflation.

Investment Strategy

Under normal market conditions, the Fund seeks to achieve its investment goal by using an asset allocation strategy that seeks to diversify the Fund's portfolio across global asset classes (principally global equity and global fixed income securities), regions and sectors while seeking to limit the expected volatility of the Fund's returns to about 10% or less per year. Currently, the Fund intends to seek a target volatility of 9% or less per year ("Target Volatility"). This strategy may result in the Fund outperforming the general securities market during periods of flat or

negative market performance, and underperforming the general securities market during periods of positive market performance. *There is no guarantee that the Fund will achieve its Target Volatility.*

Manager's Discussion

Tactical Hedging

For much of the year, volatility remained relatively subdued. However, two events led volatility to surge in the fourth quarter, first in early October and again in mid-December. In both cases, driven by rising forward-looking risk estimates of expected volatility, we tactically hedged, seeking to reduce the Fund's global equity exposure. Once our risk estimates reverted toward long-term levels in developed markets, we removed the hedges. Hedging effectively reduced the Fund's expected risk estimates in both cases. Markets continued to weaken in October, and the decision to hedge contributed to performance relative to the benchmark index. However, in December, risk assets rallied, and the hedge detracted slightly from relative performance. Overall, tactical decisions regarding hedging effectively lowered volatility while also contributing to the Fund's return.

Developed Low Volatility Equities

Gradual improvement in economic conditions and the Fed's continued support in the form of holding longer term securities and maintaining a low benchmark interest rate helped U.S. stocks perform well over the period. Meanwhile, concerns about slowing growth and deflation weighed on European markets. The exposure to low volatility strategies, achieved through exchange-traded funds, effectively reduced Fund volatility, as indicated by the relatively low standard deviation of the Fund's daily returns, a measure of volatility. Furthermore, for both the U.S. and European markets, the low volatility strategies outperformed the broad equity market. Please keep in mind that although the Fund has a passive exposure to certain low-volatility stocks through the Fund's allocation process, stock investments are employed to gain country or sector exposure and are based on expectations of low volatility, not capital appreciation.

Emerging Equities

Our outlook for emerging market equities remained subdued for much of the year, based on expectations for slow global growth, weakness in commodity markets and a concern that any move by the Fed to reduce monetary support could spur outflows for many emerging markets. We maintained an underweighting in emerging market equities throughout much of the year, as we sought to limit what we viewed as a potential source of volatility. This decision added value as emerging market stocks struggled and finished the year in negative territory. Country allocations were slight detractors from Fund performance, including an overweighting in Russia and an underweighting in Taiwan.

Fixed Income

Country selection added to results, driven by an overweighting in Australia and underweightings in Germany and Japan. Security selection in many markets also benefited returns, notably Italy, Australia and Poland. Furthermore, the decision to hedge a significant portion of certain securities' currency exposures, especially against the euro and Australian dollar, contributed to performance as the U.S. dollar strengthened relative to these currencies.

Commodities

We maintained a small underweighting to commodities relative to the blended benchmark throughout the year. This was primarily due to our outlook for slower global growth, which we believed would weigh on demand in this sector, as well as our expectations for a stronger U.S. dollar. This contributed to results as commodity prices experienced significant weakness for much of the year.

Portfolio Breakdown*	
12/31/14	
	% of Total Net Assets
Exchange Traded Funds	55.0%
Domestic Equity	32.4%
Foreign Equity	22.6%
Bonds	35.5%
Foreign Government & Agency Securities	25.7%
U.S. Government & Agency Securities	9.8%
Stocks**	4.8%
Banks	0.9%
Automobiles & Components	0.6%
Food, Beverage & Tobacco	0.5%
Software & Services	0.5%
Consumer Durables & Apparel	0.4%
Transportation	0.4%
Energy	0.3%
Materials	0.2%
Telecommunication Services	0.2%
Semiconductors & Semiconductor Equipment	0.1%
Household & Personal Products	0.1%
Food & Staples Retailing	0.1%
Insurance	0.1%
Media	0.1%
Consumer Services	0.1%
Real Estate	0.1%
Diversified Financials	0.1%
Commodities	3.5%
Exchange Traded Notes	3.5%
Short-Term Investments & Other Net Assets	1.2%

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

**Includes common and preferred shares.

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

Thank you for your participation in Franklin Managed Volatility Global Allocation VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2014, 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.

1. Source: Morningstar.
One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.
2. The Fund's benchmark is currently weighted 55% for the MSCI ACWI, 40% for the Citigroup WGBI and 5% for the Bloomberg Commodity Index, rebalanced monthly. For the 12-month period ended 12/31/14, the MSCI ACWI had a +4.71% total return, the Citigroup WGBI had a -0.48% total return, and the Bloomberg Commodity Index had a -17.01% total return.
3. Please see Index Descriptions following the Fund Summaries.

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 occupation during at least the past five years and number of 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	137	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 October 2014	111	Avis Budget Group Inc. (car rental), Omnicom Group Inc. (advertising and marketing communications services) and H.J. Heinz Company (processed foods and allied products) (1998-2006).
Principal Occupation During at Least the Past 5 Years: Founding Partner and Senior Managing Director, Strategic Investment Group (investment management group) (1987-present); director of various companies; and formerly , Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	111	ICO Global Communications (Holdings) Limited (satellite company) (2006-2010), Chevron Corporation (global energy company) (1989-2009), Hewlett-Packard Company (technology company) (1996-2002), Safeway, Inc. (grocery retailer) (1991-1998) and TransAmerica Corporation (insurance company) (1989-1999).
Principal Occupation During at Least the Past 5 Years: Private investor; and formerly , Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (2012-2014); Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); Chairman of the Board and Chief Executive Officer, AirTouch Communications (cellular communications) (1993-1998) and Pacific Telesis Group (telephone holding company) (1988-1994).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	137	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products) (1994-2013), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and formerly , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	137	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); and formerly , Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
Frank A. Olson (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	137	Hess Corporation (exploration and refining of oil and gas) (1998-2013).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Chairman of the Board, The Hertz Corporation (car rental) (1980-2000) and Chief Executive Officer (1977-1999); and Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (June-December 1987).				
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	137	Cbeyond, Inc. (business communications provider) (2010-2012), The Southern Company (energy company) (December 2014; previously 2010-2012) and Graham Holdings Company (education and media organization) (2011-present).
Principal Occupation During at Least the Past 5 Years: Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-present); and formerly , John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).				
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	111	None
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	147	None
Principal Occupation During at Least the Past 5 Years: Chairman of the Board, Member – Office of the Chairman, Director, President 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; and Vice Chairman, Investment Company Institute.				
**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	137	None
Principal Occupation During at Least the Past 5 Years: Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 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
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 46 of the investment companies in Franklin Templeton Investments.				
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; and officer of 46 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: Director, Fund Accounting, 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; officer of 46 of the investment companies in Franklin Templeton Investments; and formerly , Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).				

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
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 46 of the investment companies in Franklin Templeton Investments.				
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President – AML Compliance	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance Monitoring; Chief Compliance Officer, Franklin Alternative Strategies Advisers, LLC; Vice President, Franklin Templeton Companies, LLC; and officer of 46 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.				
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 Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.				
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 46 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 46 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
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 46 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
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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; Vice President, Fiduciary Trust International of the South; and officer of 46 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.

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) 321-8563 or their insurance companies to request the SAI.

Index Descriptions

The indexes are unmanaged and include reinvested distributions.

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

Bloomberg Commodity Index consists of exchanged-traded futures on physical commodities weighted to account for economic significance and market liquidity. Prior to 7/1/14, the index was known as the Dow-Jones UBS Commodity Index.

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

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

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

Franklin Templeton Variable Insurance Products Trust

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.

**SUPPLEMENT DATED JANUARY 30, 2015
TO THE PROSPECTUS DATED MAY 1, 2014
OF
FRANKLIN MANAGED VOLATILITY GLOBAL ALLOCATION VIP FUND
(A series of Franklin Templeton Variable Insurance Products Trust)**

The Prospectus is amended as follows:

I. The “Fund Details – Management – Manager of Managers Structure” section on page FMV-D13 of the prospectuses for Class 2 and Class 5 shares is replaced with the following:

Manager of Managers Structure

Alternative Strategies and the Trust have received an exemptive order from the SEC that allows the Fund to operate in a “manager of managers” structure whereby Alternative Strategies, as the Fund’s investment manager, can appoint and replace both wholly-owned and unaffiliated sub-advisors, and enter into, amend and terminate sub-advisory agreements with such sub-advisors, each subject to board approval but without obtaining prior shareholder approval (the “Manager of Managers Structure”). The Fund will, however, inform shareholders of the hiring of any new sub-advisor within 90 days after the hiring. The SEC exemptive order provides the Fund with greater efficiency and without incurring the expense and delays associated with obtaining shareholder approval of sub-advisory agreements with such sub-advisors.

The use of the Manager of Managers Structure with respect to the Fund is subject to certain conditions that are set forth in the SEC exemptive order. Under the Manager of Managers Structure, Alternative Strategies has the ultimate responsibility, subject to oversight by the Fund’s board of trustees, to oversee sub-advisors and recommend their hiring, termination and replacement. Alternative Strategies will also, subject to the review and approval of the Fund’s board of trustees: set the Fund’s overall investment strategy; evaluate, select and recommend sub-advisors to manage all or a portion of the Fund’s assets; and implement procedures reasonably designed to ensure that each sub-advisor complies with the Fund’s investment goal, policies and restrictions. Subject to review by the Fund’s board of trustees, Alternative Strategies will allocate and, when appropriate, reallocate the Fund’s assets among sub-advisors and monitor and evaluate the sub-advisors’ performance.

Please keep this supplement for future reference.

Franklin Templeton Variable Insurance Products Trust

Consolidated Financial Highlights

Franklin Managed Volatility Global Allocation VIP Fund

Class 2	Year Ended December 31,	
	2014	2013 ^a
Per share operating performance		
(for a share outstanding throughout the year)		
Net asset value, beginning of year	\$10.07	\$10.00
Income from investment operations ^b :		
Net investment income ^c	0.11	0.09
Net realized and unrealized gains (losses)	0.25	0.17
Total from investment operations	0.36	0.26
Less distributions from:		
Net investment income and net foreign currency gains	(0.23)	(0.19)
Net realized gains	(—) ^d	—
Total distributions	(0.23)	(0.19)
Net asset value, end of year	\$10.20	\$10.07
Total return ^e	3.60%	2.56%
Ratios to average net assets^f		
Expenses before waiver and payments by affiliates ^g	1.97%	2.97%
Expenses net of waiver and payments by affiliates ^{g,h}	1.08%	1.08%
Net investment income	1.07%	1.21%
Supplemental data		
Net assets, end of year (000's)	\$10,201	\$10,065
Portfolio turnover rate	22.04%	8.12%

^a For the period April 1, 2013 (commencement of operations) to December 31, 2013.

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

^c Based on average daily shares outstanding.

^d Amount rounds to less than \$0.01 per share.

^e Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

^f Ratios are annualized for periods less than one year.

^g Does not include expenses of the exchange traded funds in which the Fund invests. The weighted average indirect expenses of the exchange traded funds was 0.09% for the year ended December 31, 2014.

^h Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Consolidated Financial Highlights *(continued)*

Franklin Managed Volatility Global Allocation VIP Fund

Class 5	Year Ended December 31,	
	2014	2013 ^a
Per share operating performance		
(for a share outstanding throughout the year)		
Net asset value, beginning of year	\$10.07	\$10.00
Income from investment operations ^b :		
Net investment income ^c	0.13	0.10
Net realized and unrealized gains (losses)	0.25	0.17
Total from investment operations	0.38	0.27
Less distributions from:		
Net investment income and net foreign currency gains	(0.25)	(0.20)
Net realized gains	(—) ^d	—
Total distributions	(0.25)	(0.20)
Net asset value, end of year	\$10.20	\$10.07
Total return ^e	3.75%	2.68%
Ratios to average net assets^f		
Expenses before waiver and payments by affiliates ^g	1.82%	2.82%
Expenses net of waiver and payments by affiliates ^{g,h}	0.93%	0.93%
Net investment income	1.22%	1.36%
Supplemental data		
Net assets, end of year (000's)	\$10,201	\$10,065
Portfolio turnover rate	22.04%	8.12%

^a For the period April 1, 2013 (commencement of operations) to December 31, 2013.

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

^c Based on average daily shares outstanding.

^d Amount rounds to less than \$0.01 per share.

^e Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

^f Ratios are annualized for periods less than one year.

^g Does not include expenses of the exchange traded funds in which the Fund invests. The weighted average indirect expenses of the exchange traded funds was 0.09% for the year ended December 31, 2014.

^h Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Consolidated Statement of Investments, December 31, 2014

Franklin Managed Volatility Global Allocation VIP Fund	Country	Shares/Units	Value
Common Stocks 4.4%			
Automobiles & Components 0.6%			
Astra International Tbk PT	Indonesia	74,000	\$ 44,364
Brilliance China Automotive Holdings Ltd.	China	52,000	83,158
			127,522
Banks 0.7%			
Akbank TAS	Turkey	2,000	7,422
Bank Danamon Indonesia Tbk PT	Indonesia	14,000	5,115
China Construction Bank Corp., H	China	24,000	19,654
ICICI Bank Ltd., ADR	India	7,500	86,625
Kasikombank PCL, fgn.	Thailand	1,700	11,840
^a National Bank of Greece SA	Greece	1,940	3,451
			134,107
Capital Goods 0.0%†			
Hyundai Development Co.	South Korea	220	7,784
Consumer Durables & Apparel 0.4%			
Compagnie Financiere Richemont SA	Switzerland	55	4,913
Fila Korea Ltd.	South Korea	480	48,932
LF Corp.	South Korea	1,087	29,715
			83,560
Consumer Services 0.1%			
^a Bloomerry Resorts Corp.	Philippines	35,300	9,774
MGM China Holdings Ltd.	Hong Kong	1,200	3,052
			12,826
Diversified Financials 0.1%			
Ayala Corp.	Philippines	680	10,537
Energy 0.2%			
China Petroleum and Chemical Corp., H	China	20,000	16,121
PetroChina Co. Ltd., H	China	6,000	6,639
PTT Exploration and Production PCL, fgn.	Thailand	1,700	5,791
SK Innovation Co. Ltd.	South Korea	127	9,881
Yanzhou Coal Mining Co. Ltd., H	China	12,000	10,183
			48,615
Food & Staples Retailing 0.1%			
Bizim Toptan Satis Magazalari AS	Turkey	3,016	24,684
Food, Beverage & Tobacco 0.5%			
Eastern Tobacco	Egypt	2,100	64,618
Pinar Sut Mamulleri Sanayii AS	Turkey	1,051	9,615
Thai Beverage PCL, fgn.	Thailand	61,000	31,771
			106,004
Household & Personal Products 0.1%			
Avon Products Inc.	United States	2,927	27,485
Insurance 0.1%			
China Life Insurance Co. Ltd., H	China	5,000	19,538
Materials 0.1%			
^a Aluminum Corp. of China Ltd., H	China	12,000	5,525
Compania de Minas Buenaventura SA, ADR	Peru	1,200	11,472
Kumba Iron Ore Ltd.	South Africa	47	975
Semen Indonesia (Persero) Tbk PT	Indonesia	6,500	8,502
			26,474
Media 0.1%			
Naspers Ltd., N	South Africa	100	13,102
Real Estate 0.1%			
Land and Houses PCL, fgn.	Thailand	42,400	11,670
Retailing 0.0%†			
Truworths International Ltd.	South Africa	289	1,931
Semiconductors & Semiconductor Equipment 0.1%			
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	7,000	31,184

Franklin Templeton Variable Insurance Products Trust

Consolidated Statement of Investments, December 31, 2014 (continued)

Software & Services 0.5% Travelsky Technology Ltd., H	China	90,000		97,267
Telecommunication Services 0.2% China Unicom (Hong Kong) Ltd. MTN Group Ltd.	China South Africa	12,000 898		16,064 17,193
				33,257
Transportation 0.4% ^a China Shipping Development Co. Ltd., H COSCO Pacific Ltd.	China China	16,000 44,942		10,957 63,988
				74,945
Total Common Stocks (Cost \$826,749)				892,492
^bExchange Traded Funds 55.0%				
Domestic Equity 32.4% iShares MSCI USA Minimum Volatility ETF	United States	163,145		6,604,110
Foreign Equity 22.6% iShares MSCI EAFE Minimum Volatility ETF	United States	74,903		4,621,515
Total Exchange Traded Funds (Cost \$9,941,297)				11,225,625
^cExchange Traded Notes (Cost \$927,123) 3.5%				
Energy 3.5% ^{a,d,e} iPATH Dow Jones-UBS Commodity Index Total Return ETN, 6/12/36	United States	23,800		711,858
Preferred Stocks 0.4%				
Banks 0.2% Banco Bradesco SA, ADR, pfd.	Brazil	3,500		46,795
Energy 0.1% Petroleo Brasileiro SA, ADR, pfd.	Brazil	1,440		10,915
Materials 0.1% Vale SA, ADR, pfd., A	Brazil	3,500		25,410
Total Preferred Stocks (Cost \$138,773)				83,120
			Principal Amount	
Foreign Government and Agency Securities 25.7%				
Development Bank of Japan, 1.70%, 9/20/22	Japan	10,000,000	JPY	93,132
senior bond, 2.30%, 3/19/26	Japan	10,000,000	JPY	101,680
Government of Canada, 2.75%, 6/01/22	Canada	160,000	CAD	148,787
^f Government of Finland, senior bond, Reg S, 4.375%, 7/04/19	Finland	350,000	EUR	505,617
Government of France, 2.25%, 5/25/24	France	150,000	EUR	206,537
1.75%, 11/25/24	France	200,000	EUR	263,433
Government of Germany, 1.50%, 2/15/23	Germany	185,000	EUR	245,241
Government of Ireland, 5.50%, 10/18/17	Ireland	150,000	EUR	207,951
Government of Japan, senior bond, 0.40%, 6/20/16	Japan	35,000,000	JPY	293,926
1.20%, 6/20/21	Japan	30,000,000	JPY	268,707
1.90%, 6/20/31	Japan	15,000,000	JPY	146,468
34, 2.20%, 3/20/41	Japan	15,000,000	JPY	152,813
Government of Malaysia, 3.197%, 10/15/15	Malaysia	500,000	MYR	142,784
Government of Mexico, 8.00%, 12/07/23	Mexico	15,000 ^g	MXN	117,387
Government of Poland, 3.25%, 7/25/25	Poland	360,000	PLN	108,622
5.75%, 4/25/29	Poland	250,000	PLN	96,147
Government of Spain, senior bond, 4.00%, 4/30/20	Spain	250,000	EUR	351,069
^f Government of the Netherlands, Reg S, 1.75%, 7/15/23	Netherlands	300,000	EUR	399,837
Italy Treasury Bond, ^f Reg S, 3.50%, 3/01/30	Italy	150,000	EUR	202,962
senior bond, 4.25%, 9/01/19	Italy	150,000	EUR	209,175
senior bond, 5.50%, 9/01/22	Italy	150,000	EUR	233,042
^f Queensland Treasury Corp., senior bond, Reg S, 5.75%, 7/22/24	Australia	150,000	AUD	148,824
senior note, Reg S, 6.00%, 7/21/22	Australia	150,000	AUD	148,240

Franklin Templeton Variable Insurance Products Trust

Consolidated Statement of Investments, December 31, 2014 *(continued)*

†U.K. Treasury Note, Reg S, 4.00%, 3/07/22	United Kingdom	250,000	GBP	457,069
Total Foreign Government and Agency Securities (Cost \$5,656,375)				5,249,450
U.S. Government and Agency Securities 9.8%				
U.S. Treasury Bond, 4.25%, 5/15/39	United States	100,000		128,703
U.S. Treasury Note,				
0.25%, 1/15/15	United States	400,000		400,000
4.625%, 11/15/16	United States	500,000		537,168
4.00%, 8/15/18	United States	300,000		328,969
2.00%, 11/15/21	United States	300,000		301,043
1.75%, 5/15/22	United States	300,000		294,902
Total U.S. Government and Agency Securities (Cost \$2,003,491)				1,990,785
Total Investments before Short Term Investments (Cost \$19,493,808)				20,153,330
			Shares	
Short Term Investments (Cost \$74,160) 0.3%				
Money Market Funds 0.3%				
^{a,h} Institutional Fiduciary Trust Money Market Portfolio	United States	74,160		74,160
Total Investments (Cost \$19,567,968) 99.1%				20,227,490
Other Assets, less Liabilities 0.9%				173,839
Net Assets 100.0%				\$ 20,401,329

† Rounds to less than 0.1% of net assets.

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

^a Non-income producing.

^b See Note 1(d) regarding exchange traded funds.

^c See Note 1(e) regarding exchange traded notes.

^d The security is owned by MVGAF Holdings Corp., a wholly-owned subsidiary of the Fund. See Note 1(f).

^e Security does not guarantee any return of principal at maturity, upon redemption or otherwise. Cash payment at maturity or upon early redemption is based on the performance of the indicated index less an investor fee.

^f Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2014, the aggregate value of these securities was \$1,862,549, representing 9.13% of consolidated net assets.

^g Principal amount is stated in 100 Mexican Peso Units.

^h See Note 3(e) regarding investments in Institutional Fiduciary Trust Money Market Portfolio.

At December 31, 2014, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Currency	Counterparty ^a	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Australian Dollar	BZWS	Sell	330,000	\$ 274,436	3/10/15	\$ 6,335	\$ -
British Pound	BZWS	Sell	20,000	31,335	3/10/15	178	-
Euro	BZWS	Sell	950,000	1,175,084	3/10/15	24,859	-
Polish Zloty	BZWS	Sell	350,000	103,617	3/10/15	5,053	-
Net unrealized appreciation (depreciation)						\$ 36,425	

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

See Abbreviations on page xx.

Franklin Templeton Variable Insurance Products Trust

Consolidated Financial Statements

Consolidated Statement of Assets and Liabilities

December 31, 2014

	Franklin Managed Volatility Global Allocation VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$19,493,808
Cost - Sweep Money Fund (Note 3e)	74,160
Total cost of investments	<u>\$19,567,968</u>
Value - Unaffiliated issuers	\$20,153,330
Value - Sweep Money Fund (Note 3e)	74,160
Total value of investments	<u>20,227,490</u>
Cash	127,600
Foreign currency, at value (Cost \$3,533)	3,517
Receivables:	
Dividends and interest	66,244
Affiliates	12,884
Unrealized appreciation on forward exchange contracts	<u>36,425</u>
Total assets	<u>20,474,160</u>
Liabilities:	
Payables:	
Investment securities purchased	1,618
Management fees	747
Distribution fees	6,126
Professional fees	62,021
Accrued expenses and other liabilities	<u>2,319</u>
Total liabilities	<u>72,831</u>
Net assets, at value	<u>\$20,401,329</u>
Net assets consist of:	
Paid-in capital	\$19,823,085
Distributions in excess of net investment income	(69,150)
Net unrealized appreciation (depreciation)	693,336
Accumulated net realized gain (loss)	<u>(45,942)</u>
Net assets, at value	<u>\$20,401,329</u>
Class 2:	
Net assets, at value	<u>\$10,200,554</u>
Shares outstanding	<u>1,000,000</u>
Net asset value and maximum offering price per share	<u>\$10.20</u>
Class 5:	
Net assets, at value	<u>\$10,200,775</u>
Shares outstanding	<u>1,000,000</u>
Net asset value and maximum offering price per share	<u>\$10.20</u>

Franklin Templeton Variable Insurance Products Trust

Consolidated Financial Statements *(continued)*

Consolidated Statement of Operations for the year ended December 31, 2014

	Franklin Managed Volatility Global Allocation VIP Fund
Investment income:	
Dividends	\$21,934
Dividends from exchange traded funds	301,085
Interest	122,279
Total investment income	<u>445,298</u>
Expenses:	
Management fees (Note 3a)	207,464
Distribution fees: (Note 3c)	
Class 2	25,922
Class 5	10,377
Custodian fees (Note 4)	1,850
Reports to shareholders	5,011
Registration and filing fees	3,986
Professional fees	82,164
Amortization of offering costs	51,188
Other	4,770
Total expenses	<u>392,732</u>
Expense reductions (Note 4)	(29)
Expenses waived/paid by affiliates (Note 3f)	<u>(184,362)</u>
Net expenses	<u>208,341</u>
Net investment income	<u>236,957</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	135,216
Foreign currency transactions	84,606
Futures contracts	3,497
Net realized gain (loss)	<u>223,319</u>
Net change in unrealized appreciation (depreciation) on:	
Investments	296,479
Translation of other assets and liabilities denominated in foreign currencies	<u>(3,185)</u>
Net change in unrealized appreciation (depreciation)	<u>293,294</u>
Net realized and unrealized gain (loss)	<u>516,613</u>
Net increase (decrease) in net assets resulting from operations	<u>\$753,570</u>

Franklin Templeton Variable Insurance Products Trust

Consolidated Financial Statements *(continued)*

Consolidated Statements of Changes in Net Assets

	Franklin Managed Volatility Global Allocation VIP Fund	
	Year Ended December 31, 2014	2013 ^a
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 236,957	\$ 194,538
Net realized gain (loss) from investments, foreign currency transactions and futures contracts	223,319	(79,821)
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	293,294	400,042
Net increase (decrease) in net assets resulting from operations	753,570	514,759
Distributions to shareholders from:		
Net investment income and net foreign currency gains:		
Class 2	(230,300)	(186,300)
Class 5	(245,900)	(197,700)
Net realized gains:		
Class 2	(3,400)	–
Class 5	(3,400)	–
Total distributions to shareholders	(483,000)	(384,000)
Capital share transactions:(Note 2)		
Class 2	–	10,000,000
Class 5	–	10,000,000
Total capital share transactions	–	20,000,000
Net increase (decrease) in net assets	270,570	20,130,759
Net assets:		
Beginning of year	20,130,759	–
End of year	\$ 20,401,329	\$ 20,130,759
Distributions in excess of net investment income included in net assets:		
End of year	\$ (69,150)	\$ (41,209)

^aFor the period April 1, 2013 (commencement of operations) to December 31, 2013.

Franklin Templeton Variable Insurance Products Trust

Notes to Consolidated Financial Statements

Franklin Managed Volatility Global Allocation VIP Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (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). The Franklin Managed Volatility Global Allocation 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 two classes of shares: Class 2 and Class 5. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The Fund invests a significant portion of its assets in exchange traded funds (ETFs). The Fund relies on exemptive orders granted by the U.S. Securities and Exchange Commission (SEC) to the ETFs that permit the Fund to invest in certain ETFs beyond the 1940 Act's limitations on a fund's investment in other investment companies, subject to certain terms and conditions set forth in the exemptive orders. The accounting policies of the ETFs are outlined in their respective shareholder reports. A copy of each ETF's shareholder report, in which the Fund invests, is available on the SEC website at sec.gov or at the SEC's Public Reference Room in Washington, D.C. The ETFs' shareholder reports are not covered by this report.

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 at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the 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 and Liquidity Oversight Committee (VLOC). The VLOC 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, ETFs, and exchange traded notes 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 the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in open-end mutual funds are valued at the closing net asset value.

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

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC 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 VLOC 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 VLOC 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.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily NYSE close. In addition, trading in certain foreign markets may not take place on every NYSE business day. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE 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 the close of the NYSE. In order to minimize the potential for these differences, the VLOC 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.

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, 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 on the Consolidated 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. Derivative Financial Instruments

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

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Consolidated Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At December 31, 2014, the Fund had no OTC derivatives in a net liability position for such contracts.

Collateral requirements differ by type of derivative. Collateral terms are contract specific for OTC derivatives. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required

by either the fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of fund business each day and any additional collateral required due to changes in derivative values may be delivered by the fund or the counterparty within a few business days. Collateral pledged and/or received by the fund, if any, is held in segregated accounts with the fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives.

The Fund entered into exchange traded financial futures contracts primarily to manage and/or gain exposure to equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset for a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable.

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

See Note 8 regarding other derivative information.

d. Exchange Traded Funds

The Fund purchases ETFs. ETFs are registered investment companies under the 1940 Act and provide access to the returns of stock indices, bond indices, or a basket of assets and are intended to replicate the economic effects that would apply had the Fund directly purchased the underlying referenced asset or basket of assets.

e. Exchange Traded Notes

The Fund purchases exchange traded notes. Exchange traded notes are senior, unsecured, unsubordinated debt securities issued by an underwriting bank. Exchange traded notes are designed to provide investors access to the returns of various market benchmarks and intended to replicate the economic effects that would apply had the Fund directly purchased the underlying referenced asset or basket of assets. The risks of exchange traded notes include the credit risk of the issuer, counterparty risk, and the potential inability of the Fund to dispose of the exchange traded note in the normal course of business.

f. Investments in MVGAF Holdings Corp. (MVGAF Subsidiary)

The Fund invests in certain financial instruments through its investment in the MVGAF Subsidiary. The MVGAF Subsidiary is a Cayman Islands exempted company with limited liability, is a wholly-owned subsidiary of the Fund, and is able to invest in certain financial instruments consistent with the investment objective of the Fund. At December 31, 2014, the MVGAF Subsidiary's investment, as well as any other assets and liabilities of the MVGAF Subsidiary are reflected in the Fund's Consolidated Statement of Investments and Consolidated Statement of Assets and Liabilities. The financial statements have been consolidated and include the accounts of the Fund and the MVGAF Subsidiary. All intercompany transactions and balances have been eliminated. At December 31, 2014, the net assets of the MVGAF Subsidiary were \$838,709, representing 4.11% of the Fund's consolidated net assets. The Fund's investment in the MVGAF Subsidiary is limited to 25% of consolidated assets.

g. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to

relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

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

The Fund recognizes the tax benefits of uncertain tax positions only when the position is “more likely than not” to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of December 31, 2014, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

h. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except for certain foreign securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date 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.

The Fund indirectly bears its proportionate share of expenses from the ETFs. Since the ETFs have varied expense levels and the Fund may own different proportions of the ETFs at different times, the amount of expenses incurred indirectly by the Fund will vary.

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.

i. Offering Costs

Offering costs are amortized on a straight line basis over twelve months.

j. 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.

k. Guarantees and Indemnifications

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

2. SHARES OF BENEFICIAL INTEREST

At December 31, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2014		2013 ^a	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	–	\$–	1,000,000	\$10,000,000
Class 5 Shares:				
Shares sold	–	\$–	1,000,000	\$10,000,000

^aFor the period April 1, 2013 (commencement of operations) to December 31, 2013.

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 Alternative Strategies Advisers, LLC (FASA)	Investment manager
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Investment Management Limited (FTIML)	Investment manager
Templeton Asset Management Ltd. (TAML)	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

Effective April 1, 2014, the Fund's investment manager is FASA. Prior to April 1, 2014, Advisers was the Fund's investment manager.

a. Management Fees

Effective April 1, 2014, the Fund pays an investment management fee to FASA based on the average daily net assets of the Fund and the MVGAF Subsidiary as follows:

Annualized

Fee Rate	Net Assets
1.000%	Up to and including \$1 billion
0.980%	Over \$1 billion, up to and including \$5 billion
0.960%	Over \$5 billion, up to and including \$10 billion
0.940%	Over \$10 billion, up to and including \$15 billion
0.920%	Over \$15 billion, up to and including \$20 billion
0.900%	In excess of \$20 billion

Prior to April 1, 2014, the Fund and the MVGAF Subsidiary paid the investment management fee to Advisers.

Management fees paid by the Fund are reduced on assets invested in the MVGAF Subsidiary, in an amount not to exceed the management fees paid by MVGAF Subsidiary.

Under a subadvisory agreement, FTIML and TAML, affiliates of FASA, provide subadvisory services to the Fund. The subadvisory fee is paid by FASA based on the Fund's average daily net assets, and is not an additional expense of the Fund.

b. Administrative Fees

Effective April 1, 2014, under an agreement with FASA, FT Services provides administrative services to the Fund and the MVGAF Subsidiary. The fee is paid by FASA based on the Fund's average daily net assets, and is not an additional expense of the Fund and the MVGAF Subsidiary. Prior to April 1, 2014, the fees were paid by Advisers.

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 5 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% and 0.10% per year of its average daily net assets of Class 2 and Class 5, respectively. Some distribution fees are not charged on shares held by affiliates. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

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

e. Investments in Institutional Fiduciary Trust Money Market Portfolio

The Fund invests in Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an affiliated open-end management investment company. Management fees paid by the Fund are waived on assets invested in the Sweep Money Fund, as noted on the Consolidated Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by the Sweep Money Fund. Prior to January 1, 2014, the waiver was accounted for as a reduction to management fees.

f. Waiver and Expense Reimbursements

FASA 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 0.83% 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, 2015.

g. Other Affiliated Transactions

At December 31, 2014, Advisers owned 100% of the Fund's outstanding shares. Investment activities of this shareholder could have a material impact on the Fund.

4. EXPENSE OFFSET ARRANGEMENT

The Fund and the MVGAF Subsidiary have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's and the MVGAF Subsidiary's custodian expenses. During the year ended December 31, 2014, the custodian fees were reduced as noted in the Consolidated Statement of Operations.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. During the year ended December 31, 2014, the Fund utilized \$115,380 of capital loss carryforwards.

For tax purposes, the Fund may elect to defer any portion of a post-October capital loss to the first day of the following fiscal year. At December 31, 2014, the Fund deferred post-October capital losses of \$45,942.

The tax character of distributions paid during the years ended December 31, 2014 and 2013, was as follows:

	<u>2014</u>	<u>2013</u>
Distributions paid from:		
Ordinary income	\$ 476,326	\$ 384,000
Long term capital gain	6,674	-
	<u>\$ 483,000</u>	<u>\$ 384,000</u>

At December 31, 2014, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	<u>\$ 19,663,630</u>
Unrealized appreciation	\$ 1,490,582
Unrealized depreciation	(926,722)
Net unrealized appreciation (depreciation)	<u>\$ 563,860</u>
Distributable earnings - undistributed ordinary income	<u>\$ 63,464</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 foreign currency transactions, bond discounts and premiums and offering costs.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2014, aggregated \$4,785,815 and \$4,407,717, respectively.

7. CONCENTRATION OF RISK

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

8. OTHER DERIVATIVE INFORMATION

At December 31, 2014, the Fund's investments in derivative contracts are reflected on the Consolidated Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Consolidated Statement of Assets and Liabilities Location	Fair Value Amount	Consolidated Statement of Assets and Liabilities Location	Fair Value Amount
Foreign exchange contracts	Unrealized appreciation on forward exchange contracts	\$ 36,425	Unrealized depreciation on forward exchange contracts	\$ -

For the year ended December 31, 2014, the effect of derivative contracts on the Fund's Consolidated Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Consolidated Statement of Operations Locations	Realized Gain (Loss) for the Year	Change in Unrealized Appreciation (Depreciation) for the Year
Foreign exchange contracts	Net realized gain (loss) from foreign currency transactions / Net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies	\$ 87,994	\$ 33,876
Equity contracts	Net realized gain (loss) from futures contracts	3,497	-

For the year ended December 31, 2014, the average month end fair value of derivatives represented 0.12% of average month end net assets. The average month end number of open derivative contracts for the year was 3.

See Note 1(c) regarding derivative financial instruments.

9. 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 \$1.5 billion (Global Credit Facility) which matured on February 13, 2015. 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. The Borrowers expect to renew the Global Credit Facility for a total of \$2 billion effective February 13, 2015, which matures on February 12, 2016.

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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended December 31, 2014, the Fund did not use the Global Credit Facility.

10. 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, 2014, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments: ^{a,b}	\$ 975,612	\$ -	\$ -	\$ 975,612
Exchange Traded Funds	11,225,625	-	-	11,225,625
Exchange Traded Notes	711,858	-	-	711,858
Foreign Government and Agency Securities	-	5,249,450	-	5,249,450
U.S. Government and Agency Securities	-	1,990,785	-	1,990,785
Short Term Investments	74,160	-	-	74,160
Total Investments in Securities	<u>\$ 12,987,255</u>	<u>\$ 7,240,235</u>	<u>\$ -</u>	<u>\$ 20,227,490</u>
Other Financial Instruments				
Forward Exchange Contracts	\$ -	\$ 36,425	\$ -	\$ 36,425

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

^bFor detailed categories, see the accompanying Consolidated Statement of Investments.

11. 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 consolidated financial statements.

ABBREVIATIONS

Counterparty

BZWS - Barclays Bank PLC

Currency

AUD - Australian Dollar
CAD - Canadian Dollar
EUR - Euro
GBP - British Pound
JPY - Japanese Yen
MXN - Mexican Peso
MYR - Malaysian Ringgit
PLN - Polish Zloty

Selected Portfolio

ADR - American Depositary Receipt
ETF - Exchange Traded Fund
ETN - Exchange Traded Note

Franklin Templeton Variable Insurance Products Trust

Franklin Managed Volatility Global Allocation VIP Fund

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated statement of assets and liabilities, including the consolidated statement of investments, and the related consolidated statements of operations and of changes in net assets and the consolidated financial highlights present fairly, in all material respects, the financial position of The Franklin Managed Volatility Global Allocation VIP Fund (the "Fund") at December 31, 2014, the results of its operations for the year then ended, the consolidated changes in its net assets and the consolidated financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements and consolidated 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 at December 31, 2014 by correspondence with the custodian, transfer agent and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 13, 2015

Tax Information (unaudited)

Under Section 852(b)(3)(C) of the Internal Revenue Code (Code), the Fund hereby reports the maximum amount allowable but no less than \$6,674 as a long term capital gain dividend for the fiscal year ended December 31, 2014.