

MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST  
Form N-CSR  
January 05, 2006

Welcome, Shareholder:

In this report, you'll learn about how your investment in Morgan Stanley Insured Municipal Income Trust performed during the annual period. We will provide an overview of the market conditions, and discuss some of the factors that affected performance during the reporting period. In addition, this report includes the Trust's financial statements and a list of Trust investments.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the Trust will achieve its investment objective. The Trust is subject to market risk, which is the possibility that market values of securities owned by the Trust will decline and, therefore, the value of the Trust's shares may be less than what you paid for them. Accordingly, you can lose money investing in this Trust.



Fund Report  
For the year ended October 31, 2005

#### Market Conditions

Throughout the 12-month period ended October 31, 2005, economic reports continued to show moderate growth, sustained consumer spending, and reasonable gains in employment. Although core inflation (which excludes food and energy) remained benign, inflationary concerns mounted during the summer as heavy demand and geopolitical events drove oil prices to protracted highs. September brought heightened uncertainty in the wake of the unprecedented devastation caused by Hurricanes Rita and Katrina. The immediate economic impact was a major disruption of the nation's energy infrastructure. However, in the weeks that followed, economists generally agreed that an initial slowdown would be followed by stimulus to growth from reconstruction.

The Federal Open Market Committee (the Fed) continued the "measured" rate tightening cycle it began in June of 2004, raising the federal funds target rate eight times during the 12-month period. As a result, the rate moved from 1.75

percent to 3.75 percent, a four-year high. Yet, as the period closed, signals from the Fed supported investors' expectations of additional increases.


Although yields on short maturity bonds rose in response to the Fed's actions, the yields of long-term municipal bonds were lower to unchanged. Representative yields on 30-year AAA rated municipal bonds declined from 4.60 percent at the start of the period to a low of 4.25 percent in the summer, returning to 4.60 percent at the end of October. Overall, the municipal yield curve continued to flatten and the yield spread (or differential between one-year rates and 30-year rates) narrowed. In this environment, the benefits of leveraged investment strategies proved less advantageous. (Leverage involves borrowing at short-term rates to purchase longer-term securities, thereby taking advantage of the differential between short- and long-term yields.)

Lower yields during most of the year led to a surge in refinancing activity, and municipal issuance remained strong. New issue volume increased by 12 percent to a record \$336 billion during the first 10 months of the calendar year. As issuers rushed to refinance higher cost debt, refundings increased to 35 percent of total issuance, up from 24 percent in the first 10 months of 2004. Bonds backed by insurance dominated issuance and increased their market penetration to nearly 60 percent. Issuers in California, New York, Texas, Florida and Pennsylvania accounted for more than 40 percent of the total underwriting volume during the year-to-date period.

The municipal-to-Treasury yield ratio, which gauges performance between the two markets, remained attractive for tax-exempt bonds. The 30-year ratio averaged 97 percent during the period and moved as high as 102 percent in June. (Higher ratios indicate increased relative attractiveness of municipal bonds.) As a result, institutional investors that normally focus on taxable bond sectors supported municipals by "crossing over" to purchase tax-exempt bonds.

2

---



### Performance Analysis

For the 12-month period ended October 31, 2005, the net asset value (NAV) of Morgan Stanley Insured Municipal Income Trust (IIM) decreased from \$15.60 to \$15.50 per share. IIM paid tax-free dividends totaling \$0.81 per share. The Trust's total NAV return was 5.30 percent. IIM's value on the New York Stock Exchange (NYSE) moved from \$14.09 to \$13.86 per share during the same period. Based on this change plus reinvestment of dividends, the Trust's total market return was 4.19 percent. On October 31, 2005, IIM's NYSE market price was at a 10.58 percent discount to its NAV. During the 12-month period ended October 31, 2005, the Trust purchased and retired 1,108,679 shares of common stock at a weighted average market discount of 11.07 percent. *Past performance is no guarantee of future results.*

Monthly dividends for the fourth quarter of 2005, declared in September, were unchanged at \$0.0675 per share. The dividend reflects the current level of the Trust's net investment income. IIM's level of undistributed net investment

income was \$0.120 per share on October 31, 2005, versus \$0.108 per share 12 months earlier.<sup>1</sup>

During the period, the Trust maintained a conservative strategy in anticipation of continued Fed tightening and higher interest rates. The Trust's duration\* (a measure of interest rate sensitivity) was positioned defensively throughout the period. Overall, this duration stance tempered total returns early in the fiscal period when rates declined, but helped total returns as rates rose. Reflecting leverage, the Trust's option-adjusted duration was 10.1 years at the end of the reporting period. Consistent with a commitment to diversification, the Trust's net assets of approximately \$498 million, including preferred shares, were invested among 12 long-term sectors and 89 credits.


As discussed in previous reports, the total income available for distribution to holders of common shares includes incremental income provided by the Trust's outstanding Auction Rate Preferred Shares (ARPS). ARPS dividends reflect prevailing short-term interest rates on maturities ranging from one week to two years. Incremental income to holders of common shares depends on two factors: the amount of ARPS outstanding and the spread between the portfolio's cost yield and its ARPS auction rate and expenses. The greater the spread and the higher the amount of ARPS outstanding, the greater the amount of incremental income available for distribution to holders of common shares. The level of net investment income available for distribution to holders of common shares varies with the level of short-term interest rates. ARPS leverage also increases the price volatility of common shares and has the effect of extending portfolio duration.

During this 12-month period, ARPS leverage contributed approximately \$0.17 per share to common-share earnings. The Trust has five ARPS series totaling \$155 million, representing 31 percent of net assets, including preferred shares.

The Trust's procedure for reinvesting all dividends and distributions in common shares is through purchases in the open market. This method helps support the market value of the Trust's shares. In addition, we would like to remind you that the Trustees have approved a procedure whereby the Trust may, when appropriate, purchase shares in the open market or in privately negotiated transactions at a price not above market value or net asset value, whichever is lower at the time of purchase. The Trust may also utilize procedures to reduce or eliminate the amount of ARPS outstanding, including their purchase in the open market or in privately negotiated transactions.

3

---



*Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. Investment return, net asset value and common share market price will fluctuate and Trust shares, when sold, may be worth more or less than their original cost.*

*\* A measure of the sensitivity of a bond's price to changes in interest rates, expressed in years. Each year of duration represents an expected 1 percent change in the price of a bond for every 1 percent change in interest rates. The longer a bond's duration, the greater the effect of interest-rate*

*movements on its price. Typically, trusts with shorter durations perform better in rising-interest-rate environments, while trusts with longer durations perform better when rates decline. There is no guarantee that any sectors mentioned will continue to perform well or that securities in such sectors will be held by the Trust in the future.*

<sup>1</sup>*Income earned by certain securities in the portfolio may be subject to the federal alternative minimum tax (AMT).*

<b>TOP FIVE SECTORS</b>	
Transportation	33.3%
Water & Sewer	26.7
Electric	20.5
Refunded	14.8
Public Facilities	10.8

<b>CREDIT ENHANCEMENTS</b>	
Ambac	27.0%
FGIC	25.3
MBIA	24.2
FSA	21.1
XLCA	1.8
CIFG	0.6

*Data as of October 31, 2005. Subject to change daily. All percentages for top five sectors are as a percentage of net assets applicable to common shareholders. All percentages for credit enhancements are as a percentage of total long-term investments. These data are provided for informational purposes only and should not be deemed a recommendation to buy or sell the securities mentioned. Morgan Stanley is a full-service securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services.*

**For More Information About Portfolio Holdings**

Each Morgan Stanley trust provides a complete schedule of portfolio holdings in its semiannual and annual reports within 60 days of the end of the trust's second and fourth fiscal quarters by filing the schedule electronically with the Securities and Exchange Commission (SEC). The semiannual reports are filed on Form N-CSRS and the annual reports are filed on Form N-CSR. Morgan Stanley also delivers the semiannual and annual reports to trust shareholders and makes these reports available on its public Web site, [www.morganstanley.com](http://www.morganstanley.com). Each Morgan Stanley trust also files a complete schedule of portfolio holdings with the SEC for the trust's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to shareholders, nor are the reports posted to the Morgan Stanley public Web site. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's Web site, <http://www.sec.gov>. You may also review and copy them at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at (800) SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address ([publicinfo@sec.gov](mailto:publicinfo@sec.gov)) or by writing the Public Reference section of the SEC, Washington, DC 20549-0102.

Distribution by Maturity  
 (% of Long-Term Portfolio) As of October 31, 2005

Weighted Average Maturity: 18 Years <sup>(a)</sup>

(a) Where applicable maturities reflect mandatory tenders, puts and call dates.

Portfolio structure is subject to change.

Geographic Summary of Investments

Based on Market Value as a Percent of Total Investments

Arizona	2.1%
California	14.9
District of Columbia	3.0
Florida	5.5
Georgia	2.5
Hawaii	1.1
Illinois	6.2
Indiana	0.9
Kansas	1.0
Louisiana	0.9%
Massachusetts	3.3
Michigan	3.0
Minnesota	1.3
Missouri	0.7
Nebraska	1.0
Nevada	2.6
New Hampshire	0.9
New Jersey	4.0
New York	8.2%
North Carolina	1.9
Ohio	0.2
Oregon	0.6
Pennsylvania	4.9
Puerto Rico	0.9
Rhode Island	2.2
South Carolina	2.4
Texas	15.3

Utah	1.1%
Vermont	0.8
Virginia	1.4
Washington	4.4
West Virginia	0.6
Wisconsin	0.6
Joint exemptions*	(0.4)
Total†	100.0%

\* Joint exemptions have been included in each geographic location.

† Does not include open short futures contracts with an underlying face amount of \$63,790,628 with unrealized appreciation of \$1,060,695.

5

Call and Cost (Book) Yield Structure  
(Based on Long-Term Portfolio) As of October 31, 2005

Years Bonds Callable—Weighted Average Call Protection: 7 Years

Cost (Book) Yield <sup>(b)</sup> —Weighted Average Book Yield: 5.0%

(a) May include issues initially callable in previous years.

(b) Cost or "book" yield is the annual income earned on a portfolio investment based on its original purchase price before the Trust's operating expenses. For example, the Trust is earning a book yield of 5.9% on 3% of the long-term portfolio that is callable in 2005.

Portfolio structure is subject to change.

6

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2005

PRINCIPAL  
AMOUNT  
IN

COUPON MATURITY VALUE  
RATE DATE

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

THOUSANDS

	<i>Tax-Exempt Municipal Bonds (141.6%)</i>			
	<i>General Obligation (9.3%)</i>			
\$ 3,000	Los Angeles, California, Ser 2004 A (MBIA)	5.00%	09/01/24	\$ 3,129,270
	District of Columbia,			
5,000	Refg Ser 1993 B (Ambac)	5.50	06/01/09	5,339,450
6,000	Refg Ser 1993 B (FSA)	5.50	06/01/10	6,487,020
3,000	Massachusetts, Refg 2003 Ser D (Ambac)	5.50	10/01/19	3,382,380
	Pennsylvania,			
1,495	First Ser 2003 RITES PA – 1112 A (MBIA)	6.571‡	01/01/18	1,657,611
2,055	First Ser 2003 RITES PA – 1112 B (MBIA)	6.571‡	01/01/19	2,363,024
4,000	Houston, Texas, Public Impr & Refg Ser 2001 B (FSA)	5.50	03/01/17	4,320,240
3,000	King County, Washington, Refg Ser B (MBIA)	5.25	01/01/34	3,117,780
2,500	Spokane School District #81, Washington, Ser 2005 (MBIA)	0.00#	12/01/23	2,200,525
30,050				31,997,300
	<i>Educational Facilities Revenue (7.2%)</i>			
2,500	University of Arizona COPs 2003 Ser B (Ambac)	5.00	06/01/23	2,590,025
	University of California,			
2,000	Ser 2003 B (Ambac)	5.00	05/15/22	2,089,820
2,000	Multi Purpose Ser Q (FSA)	5.00	09/01/31	2,060,620
3,000	District of Columbia, American Association for the Advancement of Science Ser 1997 (Ambac)	5.125	01/01/27	3,098,400
1,300	New Hampshire Health & Education Facilities Authority, University of New Hampshire Ser 2001 (Ambac)	5.125	07/01/33	1,347,476
5,000	New Jersey Educational Facilities Authority, Higher Education Ser 2002 A (Ambac)††	5.25	09/01/21	5,367,100
1,000	University of Medicine & Dentistry, New Jersey, Ser 2004 COPs (MBIA)	5.00	06/15/29	1,032,110
3,000	University of North Carolina at Wilmington, Student Housing Ser 2005 COPs (FGIC)	5.00	06/01/36	3,075,900
4,000	University of Vermont & State Agricultural College, Ser 2005 (MBIA)	5.00	10/01/40	4,105,280
23,800				24,766,731
	<i>Electric Revenue (20.5%)</i>			
10,000	California Department of Water Resources, Power Supply Ser 2002 A (Ambac)	5.375	05/01/18	10,804,400
4,000	Lafayette, Louisiana, Utilities Ser 2004 (MBIA)	5.25	11/01/25	4,218,520
5,000	Nebraska Public Power District, 2003 Ser A (Ambac)	5.00	01/01/35	5,139,050
3,000	Long Island Power Authority, New York, Refg Ser 2003 C (FSA)	5.00	09/01/28	3,106,950
6,000	North Carolina Municipal Power Agency #1, Catawba Ser 2003 A (MBIA)	5.25	01/01/19	6,409,020

See Notes to Financial Statements

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
\$ 10,000	South Carolina Public Service Authority, Ser 2003 A (Ambac)	5.00%	01/01/27	\$ 10,350,100
	Lower Colorado River Authority, Texas,			
10,000	Refg Ser 1999 A (FSA)	5.875	05/15/16	10,860,200
5,000	Refg Ser 2001 (FSA)	5.00	05/15/26	5,120,050
8,800	Refg Ser 2002 (MBIA)	5.00	05/15/31	9,007,856
5,000	Intermountain Power Agency, Utah, 2003 Ser A (FSA)	5.00	07/01/21	5,229,550
66,800				70,245,696
	<i>Hospital Revenue (4.6%)</i>			
2,000	Illinois Finance Authority, Swedish American Hospital Ser 2004 (Ambac)	5.00	11/15/31	2,040,780
2,000	Indiana Health Facilities Financing Authority, Community Health Ser 2005 A (Ambac)	5.00	05/01/35	2,048,640
1,000	Minneapolis Health Care Systems, Minnesota, Fairview Health 2005 Ser D (Ambac)	5.00	11/15/30	1,032,670
105	Missouri Health & Educational Facilities, SSM Health Care Ser 1998 A (MBIA)	5.00	06/01/22	108,038
1,500	Medical University Hospital Authority, South Carolina, FHA Insured Mtge Refg Ser 2004 A (MBIA)	5.25	02/15/25	1,583,040
3,020	Amarillo Health Facilities Corporation, Texas, Baptist St Anthony's Hospital Ser 1998 (FSA)	5.50	01/01/16	3,293,642
5,075	Baptist St Anthony's Hospital Ser 1998 (FSA)	5.50	01/01/17	5,541,951
14,700				15,648,761
	<i>Industrial Development/Pollution Control Revenue (4.4%)</i>			
5,000	Hawaii Department of Budget & Finance, Hawaiian Electric Co Ser 1999 C (AMT) (Ambac)	6.20	11/01/29	5,467,900
5,000	La Cygne, Kansas, Kansas City Power & Light Co Refg Ser 2005 (XLCA)	4.65	09/01/35	4,768,600
3,000	New York State Energy Research & Development Authority, Brooklyn Union Gas Co 1991 Ser D (AMT) (MBIA)	8.642‡	07/08/26	3,013,500
2,000		5.00	11/01/37	2,024,660



Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

15,000	Delaware County Industrial Development Authority, Pennsylvania, Aqua Inc Ser A 2005 (AMT) (FGIC)			15,274,660
	<i>Nursing &amp; Health Related Facilities Revenue (1.7%)</i>			
5,490	New Jersey Health Care Facilities Financing Authority, Greystone Psychiatric Hospital Ser 2005 (Ambac)	5.00	09/15/19	5,778,170

See Notes to Financial Statements

8

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	<i>Public Facilities Revenue (10.8%)</i>			
\$ 15,000	Miami-Dade County School Board, Florida, 2003 Ser A (FGIC)	5.00%	08/01/29	\$ 15,430,650
3,000	Orange County School Board, Florida, Ser 2001 A COPs (Ambac)	5.25	08/01/14	3,257,910
6,000	Massachusetts School Building Authority, Dedicated Sales Tax Ser 2005 A (FSA)	5.00	08/15/19	6,359,400
4,200	New York State Dormitory Authority, School Districts Ser 2002 E (MBIA)	5.50	10/01/17	4,618,488
3,000	Oregon Department of Administrative Services, Ser 2005 B COPs (FGIC)	5.00	11/01/24	3,133,260
4,000	Puerto Rico Public Buildings Authority, Refg Ser J (Ambac) (Mandatory Tender 07/01/12)	5.00	07/01/36	4,274,080
35,200				37,073,788
	<i>Recreational Facilities Revenue (3.2%)</i>			
3,000	Metropolitan Pier & Exposition Authority, Illinois, McCormick Place Refg Ser 2002 B (MBIA)	0.00##	06/15/18	2,303,190
5,000	McCormick Place Ser 2002 A (MBIA)	5.25	06/15/42	5,154,500
2,400	Marion County Convention & Recreational Facilities Authority, Indiana, Refg Ser 2003 A (Ambac)	5.00	06/01/19	2,497,416
1,000	Casino Reinvestment Development Authority, New Jersey, Ser 2004 (Ambac)	5.25	01/01/22	1,074,750
11,400				11,029,856
	<i>Transportation Facilities Revenue (33.3%)</i>			
1,000		5.75	07/01/19	1,084,110

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

	Phoenix Civic Improvement Corporation, Arizona, Sr Lien Airport Ser 2002 B (AMT) (FGIC)			
	California Infrastructure & Economic Development Bank, 5,000 Bay Area Toll Bridges Seismic Retrofit 1st Lien Ser 2003 A (FGIC)	5.00	07/01/29	5,161,900
10,000	Bay Area Toll Bridges Seismic Retrofit 1st Lien Ser 2003 A (Ambac)	5.00	07/01/33	10,291,200
9,000	Long Beach, California, Harbor Refg Ser 1998 A (AMT) (FGIC)	6.00	05/15/18	10,204,020
3,000	Miami-Dade County, Florida, Miami - Int'l Airport Ser 2005 A (AMT) (CIFG) (WI)	5.00	10/01/38	3,008,010
5,000	Atlanta, Georgia, Airport Ser C 2004 (FSA)	5.00	01/01/33	5,132,300
4,000	Illinois Toll Highway Authority, Priority Refg 1998 Ser A (FSA)	5.50	01/01/15	4,445,080
3,000	Massachusetts Turnpike Authority, Metropolitan Highway 1997 Ser A (MBIA)	5.00	01/01/37	3,035,250
5,000	Minneapolis - St Paul Metropolitan Airports Commission, Minnesota, Ser 2001 C (FGIC)	5.25	01/01/32	5,200,500
3,000	St Louis, Missouri, Lambert Int'l Airport Ser 2001 A (MBIA)	5.00	07/01/20	3,091,500

See Notes to Financial Statements

9

---

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
\$ 7,000	Nevada Department of Business & Industry, Las Vegas Monorail 1st Tier Ser 2000 (Ambac)	5.375%	01/01/40	\$ 7,233,940
2,000	Delaware River Port Authority, Pennsylvania & New Jersey, Ser 1995 (FGIC)**	5.50	01/01/26	2,047,300
4,000	New Jersey Transportation Trust Fund Authority, Ser 2005 C (FGIC)	5.25	06/15/20	4,301,560
3,000	Metropolitan Transportation Authority, New York, Dedicated Tax Fund Ser 2002 A (FSA)	5.25	11/15/24	3,209,790
10,000	Transportation Refg Ser 2002 A (FGIC)	5.00	11/15/25	10,398,900
10,000	Triborough Bridge & Tunnel Authority, New York, Refg 2002 E (MBIA)	5.25	11/15/22	10,713,200

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

9,000	Dallas-Fort Worth International Airport, Texas, Ser 2003 A (AMT) (FSA)	5.375	11/01/22	9,445,860
3,000	Harris County, Texas, Toll Road Sr Lien Ser 2005 A (FSA)	5.25	08/15/35	3,117,900
4,000	Texas Turnpike Authority, Central Texas First Tier Ser 2002 A (Ambac)	5.50	08/15/39	4,311,240
3,000	Richmond Metropolitan Authority, Virginia, Refg Ser 2002 (FGIC)	5.25	07/15/22	3,323,700
5,000	Port of Seattle, Washington, Ser 2001 B (AMT) (MBIA)	5.625	02/01/24	5,309,100
108,000				114,066,360
	<i>Water &amp; Sewer Revenue (26.7%)</i>			
5,000	Los Angeles Department of Water & Power, California, Water 2004 Ser C (MBIA)	5.00	07/01/24	5,193,850
4,000	Oxnard Financing Authority, California, Water Ser 2004 (XLCA)	5.00	06/01/28	4,082,400
5,000	San Diego County Water Authority, California, Ser 2002 A COPs (MBIA)	5.00	05/01/27	5,140,000
5,000	Ser 2004 A COPs (FSA)	5.00	05/01/29	5,173,950
5,000	Tampa Bay Water Authority, Florida, Ser 2001 A (FGIC)	5.00	10/01/28	5,119,300
5,000	Atlanta, Georgia, Water & Wastewater, Ser 2004 (FSA)	5.00	11/01/23	5,215,300
2,000	Augusta, Georgia, Water & Sewer, Ser 2004 A (FSA)	5.25	10/01/39	2,112,560
	Detroit, Michigan,			
3,000	Sewage Refg Ser 2003 A (FSA)	5.00	07/01/26	3,106,980
8,000	Sewage Refg Ser 2003 A (FSA)	5.00	07/01/28	8,253,840
3,000	Sewage Disposal Ser 2001 A (FGIC)	5.125	07/01/31	3,087,540
5,080	Las Vegas Water District, Nevada, Impr & Refg Ser 2003 A (FGIC)	5.25	06/01/19	5,440,019
1,005	Cleveland, Ohio, Waterworks Impr & Refg 1998 Ser I (FSA)	5.00	01/01/23	1,039,914
5,000	Philadelphia, Pennsylvania, Water & Wastewater Ser 1998 (Ambac)	5.25	12/15/14	5,458,750
15,000	Houston, Texas, Combined Utility Refg 2004 Ser A (FGIC)	5.25	05/15/23	15,981,600
5,000	King County, Washington, Sewer Refg 2001 (FGIC)	5.00	01/01/31	5,096,600

See Notes to Financial Statements

10

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2005 continued

VALUE

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	
\$ 2,890	Seattle, Washington, Water Refg 2003 (MBIA)	5.00%	09/01/20	\$ 3,029,038
2,870	Water Refg 2003 (MBIA)	5.00	09/01/23	2,986,752
2,900	West Virginia Water Development Authority, Loan Program II Refg 2003 Ser B (Ambac)	5.25	11/01/23	3,125,881
3,000	Central Brown County Water Authority, Wisconsin, Water Ser 2005 (Ambac)	5.00	12/01/35	3,075,120
87,745				91,719,394
	<i>Other Revenue (5.1%)</i>			
3,000	California, Economic Recovery Ser 2004 A (MBIA)	5.00	07/01/15	3,225,690
6,000	Golden State Tobacco Securitization Corporation, California, Enhanced Asset Backed Ser 2005 A (FGIC)	5.00	06/01/38	6,130,380
	New York City Transitional Finance Authority, New York, 2000 Ser C (Ambac)	5.25	08/01/21	2,151,380
2,500	2000 Ser C (Ambac)	5.25	08/01/22	2,689,225
3,000	Alexandria Industrial Development Authority, Virginia, Institute for Defense Analysis Ser 2000 A (Ambac)	5.90	10/01/30	3,312,750
16,500				17,509,425
	<i>Refunded (14.8%)</i>			
5,000	Mesa Industrial Development Authority, Arizona, Discovery Health Ser 1999 A (MBIA)	5.875	01/01/10†	5,485,400
1,000	Phoenix Industrial Development Authority, Arizona, Capital Mall LLC Ser 2000 (Ambac)	5.375	09/15/10†	1,080,390
15,000	Chicago, Illinois, Neighborhoods Alive 21 Ser 2001 A (FGIC)	5.50	01/01/11†	16,350,450
2,700	New Hampshire Health & Education Facilities Authority, University of New Hampshire Ser 2001 (Ambac)	5.125	07/01/11†	2,929,122
3,275	Massachusetts Municipal Wholesale Electric Company, 1993 Ser A (Ambac) (ETM)	5.00	07/01/10	3,418,510
5,000	Allegheny County Hospital Development Authority, Pennsylvania, Pittsburgh Mercy Health Ser 1996 (Ambac) (ETM)	5.625	08/15/18	5,174,000
5,000	Allegheny County Sanitary Authority, Pennsylvania, Sewer Ser 2000 (MBIA)	5.50	12/01/10†	5,460,250
10,000	Rhode Island Depositors Economic Protection Corporation, Refg 1992 Ser B (MBIA) (ETM)	6.00	08/01/17	10,739,400
46,975				50,637,522
461,660	Total Tax-Exempt Municipal Bonds ( <i>Cost \$467,228,548</i> )			485,747,663

See Notes to Financial Statements

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
\$ 3,800	Short-Term Tax-Exempt Municipal Obligation (1.1%) Harris County Health Facilities Development Corporation, Texas, Methodist Hospital Ser 2005 B (Demand 11/01/05) (Cost \$3,800,000)	2.72*%	12/01/32	\$ 3,800,000
\$465,460	Total Investments (Cost \$471,028,548) (a) (b)		142.7 %	489,547,663
	Other Assets in Excess of Liabilities		2.5	8,526,356
	Preferred Shares of Beneficial Interest		(45.2)	(155,118,014)
	Net Assets Applicable to Common Shareholders		100.0 %	\$ 342,956,005

Note: The categories of investments are shown as a percentage of net assets applicable to common shareholders.

AMT	Alternative Minimum Tax.
COPs	Certificates of Participation.
ETM	Escrowed to maturity.
RITES	Residual Interest Tax-Exempt Securities (Illiquid securities).
WI	Security purchased on a when-issued basis.
†	Prerefunded to call date shown.

A portion of this security has been physically segregated in connection with open futures contracts in the amount of \$325,000.

Current coupon rate for inverse floating rate municipal obligation. This rate resets periodically as the auction rate on the related security changes. Positions in inverse floating rate municipal obligations have a total value of \$7,034,135 which represents 2.1% of net assets applicable to common shareholders.

# Currently a zero coupon security; will convert to 5.125% on December 1, 2008.

## Currently a zero coupon security; will convert to 5.30% on June 15, 2012.

\* Current coupon of variable rate demand obligation.

\*\* Joint exemption in locations shown.

(a) Securities have been designated as collateral in an amount equal to \$67,527,973 in connection with open futures contracts and the purchase of a when-issued security.

(b) The aggregate cost for federal income tax purposes is \$470,938,112. The aggregate gross unrealized appreciation is \$19,497,327 and the aggregate gross unrealized depreciation is \$887,776, resulting in net unrealized appreciation \$18,609,551.

Bond Insurance:

Ambac	Ambac Assurance Corporation.
CIFG	CIFG Assurance North America Inc.
FGIC	Financial Guaranty Insurance Company.
FSA	Financial Security Assurance Inc.

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

MBIA Municipal Bond Investors Assurance Corporation.  
 XLCA XL Capital Assurance Inc.

Futures Contracts Open at October 31, 2005:

NUMBER OF CONTRACTS	LONG/SHORT	DESCRIPTION, DELIVERY MONTH, AND YEAR	UNDERLYING FACE AMOUNT AT VALUE	UNREALIZED APPRECIATION
500	Short	U.S. Treasury Notes 5 year December 2005	\$(52,945,315)	\$805,660
100	Short	U.S. Treasury Notes 10 year December 2005	(10,845,313)	255,035
		Total Unrealized Appreciation		\$1,060,695

See Notes to Financial Statements

12

Morgan Stanley Insured Municipal Income Trust

Financial Statements

Statement of Assets and Liabilities

October 31, 2005

Assets:	
Investments in securities, at value (cost \$471,028,548)	\$489,547,663
Cash	176,490
Receivable for:	
Interest	8,133,529
Investments sold	3,380,975
Prepaid expenses and other assets	219,504
Total Assets	501,458,161
Liabilities:	
Payable for:	
Investments purchased	3,000,000
Investment advisory fee	115,219
Common shares of beneficial interest repurchased	77,400
Administration fee	34,139
Transfer agent fee	18,112
Variation margin	10,940

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

Accrued expenses and other payables	128,332
Total Liabilities	3,384,142
Preferred shares of beneficial interest (at liquidation value), <i>(1,000,000 shares authorized of non-participating \$.01 par value, 3,100 shares outstanding)</i>	155,118,014
Net Assets Applicable to Common Shareholders	\$342,956,005
Composition of Net Assets Applicable to Common Shareholders:	
Common shares of beneficial interest <i>(unlimited shares authorized of \$.01 par value, 22,130,159 shares outstanding)</i>	\$320,786,363
Net unrealized appreciation	19,579,810
Accumulated undistributed net investment income	2,650,359
Accumulated net realized loss	(60,527)
Net Assets Applicable to Common Shareholders	\$342,956,005
Net Asset Value Per Common Share <i>(\$342,956,005 divided by 22,130,159 common shares outstanding)</i>	\$ 15.50

Statement of Operations

For the year ended October 31, 2005

Net Investment Income:	
Interest Income	\$24,213,239
Expenses	
Investment advisory fee	1,382,600
Auction commission fees	692,422
Administration fee	409,660
Transfer agent fees and expenses	82,591
Professional fees	75,322
Shareholder reports and notices	49,702
Auction agent fees	35,398
Custodian fees	24,204
Registration fees	15,757
Trustees' fees and expenses	12,567
Other	69,848
Total Expenses	2,850,071
Less: expense offset	(23,748)
Net Expenses	2,826,323
Net Investment Income	21,386,916
Net Realized and Unrealized Gain (Loss):	
Net Realized Gain (Loss) on:	
Investments	3,046,220
Futures contracts	(467,757)
Net Realized Gain	2,578,463
Net Change in Unrealized Appreciation/Depreciation on:	
Investments	(9,884,799)
Futures contracts	3,126,434
Net Depreciation	(6,758,365)
Net Loss	(4,179,902)
Dividends to preferred shareholders from net investment income	(2,903,008)

Net Increase

\$14,304,006

See Notes to Financial Statements

13

Morgan Stanley Insured Municipal Income Trust

Financial Statements continued

Statement of Changes in Net Assets

	FOR THE YEAR ENDED OCTOBER 31, 2005	FOR THE YEAR ENDED OCTOBER 31, 2004
Increase (Decrease) in Net Assets:		
Operations:		
Net investment income	\$ 21,386,916	\$ 22,599,751
Net realized gain (loss)	2,578,463	(5,489,188)
Net change in unrealized appreciation/depreciation	(6,758,365)	9,051,071
Dividends to preferred shareholders from net investment income	(2,903,008)	(2,823,792)
Net Increase	14,304,006	23,337,842
Dividends and Distribution to Common Shareholders from:		
Net investment income	(18,336,951)	(21,955,427)
Net realized gain	—	(6,940,823)
Total Dividends and Distributions	(18,336,951)	(28,896,250)
Decrease from transactions in shares of beneficial interest	(15,479,394)	(14,118,667)
Net Decrease	(19,512,339)	(19,677,075)
Net Assets Applicable to Common Shareholders:		
Beginning of period	362,468,344	382,145,419
End of Period		
<i>(Including accumulated undistributed net investment income of \$2,650,359 and \$2,513,100, respectively)</i>	<i>\$342,956,005</i>	<i>\$362,468,344</i>

See Notes to Financial Statements

14

Morgan Stanley Insured Municipal Income Trust



Notes to Financial Statements October 31, 2005

1. Organization and Accounting Policies

Morgan Stanley Insured Municipal Income Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The Trust's investment objective is to provide current income which is exempt from federal income tax. The Trust was organized as a Massachusetts business trust on March 12, 1992 and commenced operations on February 26, 1993.

The following is a summary of significant accounting policies:

A. Valuation of Investments — (1) portfolio securities are valued by an outside independent pricing service approved by the Trustees. The pricing service uses both a computerized grid matrix of tax-exempt securities and evaluations by its staff, in each case based on information concerning market transactions and quotations from dealers which reflect the mean between the last reported bid and asked price. The portfolio securities are thus valued by reference to a combination of transactions and quotations for the same or other securities believed to be comparable in quality, coupon, maturity, type of issue, call provisions, trading characteristics and other features deemed to be relevant. The Trustees believe that timely and reliable market quotations are generally not readily available for purposes of valuing tax-exempt securities and that the valuations supplied by the pricing service are more likely to approximate the fair value of such securities; (2) futures are valued at the latest sale price on the commodities exchange on which they trade unless it is determined that such price does not reflect their market value, in which case they will be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Trustees; and (3) short-term debt securities having a maturity date of more than sixty days at time of purchase are valued on a mark-to-market basis until sixty days prior to maturity and thereafter at amortized cost based on their value on the 61st day. Short-term debt securities having a maturity date of sixty days or less at the time of purchase are valued at amortized cost.

B. Accounting for Investments — Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on security transactions are determined by the identified cost method. Discounts are accreted and premiums are amortized over the life of the respective securities. Interest income is accrued daily.

C. Futures Contracts — A futures contract is an agreement between two parties to buy and sell financial instruments or contracts based on financial indices at a set price on a future date. Upon entering into such a contract, the Trust is required to pledge to the broker cash, U.S. Government securities or other liquid portfolio securities equal to the minimum initial margin requirements of the applicable futures exchange. Pursuant to the contract, the Trust agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments known as variation margin are recorded by the Trust as unrealized gains and losses. Upon closing of the contract, the Trust realizes a gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

15

---

Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2005 continued

D. Federal Income Tax Policy — It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable and nontaxable income to its shareholders. Accordingly, no federal income tax provision is required.

E. Dividends and Distributions to Shareholders — Dividends and distributions to shareholders are recorded on the ex-dividend date.

F. Use of Estimates — The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

## 2. Investment Advisory/Administration Agreements

Pursuant to an Investment Advisory Agreement with Morgan Stanley Investment Advisors Inc. (the "Investment Adviser"), the Trust pays an advisory fee, calculated weekly and payable monthly, by applying the annual rate of 0.27% to the Trust's weekly total net assets including preferred shares.

Pursuant to an Administration Agreement with Morgan Stanley Services Company Inc. (the "Administrator"), an affiliate of the Investment Adviser, the Trust pays an administration fee, calculated weekly and payable monthly, by applying the annual rate of 0.08% to Trust's weekly total net assets including preferred shares.

## 3. Security Transactions and Transactions with Affiliates

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the year ended October 31, 2005, aggregated \$76,834,653 and \$91,418,677, respectively.

Morgan Stanley Trust, an affiliate of the Investment Adviser and Administrator, is the Trust's transfer agent.

The Trust has an unfunded noncontributory defined benefit pension plan covering certain independent Trustees of the Trust who will have served as independent Trustees for at least five years at the time of retirement. Benefits under this plan are based on factors which include years of service and compensation. The Trustees voted to close the plan to new participants and eliminate the future benefits growth due to increases to compensation after July 31, 2003. Aggregate pension costs for the year ended October 31, 2005, included in Trustees' fees and expenses in the Statement of Operations amounted to \$6,209. At October 31, 2005, the Trust had an accrued pension liability of \$53,717 which is included in accrued expenses in the Statement of Assets and Liabilities.

The Trust has an unfunded Deferred Compensation Plan (the "Compensation Plan") which allows each independent Trustee to defer payment of all, or a portion, of the fees he receives for serving on the Board of Trustees. Each eligible Trustee generally may elect to have the deferred amounts credited with a return equal to the total return on one or more of the Morgan Stanley funds that are offered as investment options under

the Compensation Plan. Appreciation/depreciation and distributions received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the net asset value of the Trust.

4. Preferred Shares of Beneficial Interest

The Trust is authorized to issue up to 1,000,000 non-participating preferred shares of beneficial interest having a par value of \$.01 per share, in one or more series, with rights as determined by the Trustees, without approval of the common shareholders. The Trust has issued Series 1 through 5 Auction Rate Preferred Shares ("preferred shares") which have a liquidation value of \$50,000 per share plus the redemption premium, if any, plus accumulated but unpaid dividends, whether or not declared, thereon to the date of distribution. The Trust may redeem such shares, in whole or in part, at the original purchase price of \$50,000 per share plus accumulated but unpaid dividends, whether or not declared, thereon to the date of redemption.

Dividends, which are cumulative, are reset through auction procedures.

SERIES	SHARES*	AMOUNT		RESET DATE	RANGE OF DIVIDEND RATES**
		IN THOUSANDS	*RATE*		
1	400	\$ 20,000	2.70%	11/07/05	1.36% – 2.95%
2	900	45,000	2.80	11/07/05	1.20 – 2.80
3	1,000	50,000	2.24	07/10/06	2.24
4	400	20,000	1.48	01/09/06	1.48
5	400	20,000	2.45	11/07/05	1.70 – 2.75

\*As of October 31, 2005.

\*\*For the year ended October 31, 2005.

Subsequent to October 31, 2005 and up through December 2, 2005, the Trust paid dividends to each of the Series 1 through 5 at rates ranging from 1.48% to 3.00% in the aggregate amount of \$409,957.

The Trust is subject to certain restrictions relating to the preferred shares. Failure to comply with these restrictions could preclude the Trust from declaring any distributions to common shareholders or purchasing common shares and/or could trigger the mandatory redemption of preferred shares at liquidation value.

The preferred shares, which are entitled to one vote per share, generally vote with the common shares but vote separately as a class to elect two Trustees and on any matters affecting the rights of the preferred shares.

5. Common Shares of Beneficial Interest

Transactions in common shares of beneficial interest were as follows:

	SHARES	PAR VALUE	CAPITAL PAID IN EXCESS OF PAR VALUE
Balance, October 31, 2003	24,240,138	\$242,401	\$350,142,023
Treasury shares purchased and retired (weighted average discount 8.33%)*.	(1,001,300)	(10,013)	(14,108,654)
Balance, October 31, 2004	23,238,838	232,388	336,033,369
Treasury shares purchased and retired (weighted average discount 11.07%)*	(1,108,679)	(11,087)	(15,468,307)
Balance, October 31, 2005	22,130,159	\$221,301	\$320,565,062

*\*The Trustees have voted to retire the shares purchased.*

6. Dividends to Common Shareholders

On September 27, 2005, the Trust declared the following dividends from net investment income:

AMOUNT PER SHARE	RECORD DATE	PAYABLE DATE
\$0.675	November 4, 2005	November 18, 2005
\$0.675	December 9, 2005	December 23, 2005

7. Expense Offset

The expense offset represents a reduction of the custodian fees for earnings on cash balances maintained by the Trust.

8. Risks Relating to Certain Financial Instruments

The Trust may invest a portion of its assets in residual interest bonds, which are inverse floating rate municipal obligations. The prices of these securities are subject to greater market fluctuations during periods of changing prevailing interest rates than are comparable fixed rate obligations.

To hedge against adverse interest rate changes, the Trust may invest in financial futures contracts or municipal bond index futures contracts (“futures contracts”).

These futures contracts involve elements of market risk in excess of the amount reflected in the Statement of Assets and Liabilities. The Trust bears the risk of an unfavorable change in the value of the underlying securities. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

## Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2005 continued

## 9. Federal Income Tax Status

The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. Dividends and distributions which exceed net investment income and net realized capital gains for tax purposes are reported as distributions of paid-in-capital.

The tax character of distributions paid was as follows:

	FOR THE YEAR ENDED OCTOBER 31, 2005	FOR THE YEAR ENDED OCTOBER 31, 2004
Tax-exempt income	\$21,335,959	\$24,793,993
Long-term capital gains	—	6,940,823
Total distributions	\$21,335,959	\$31,734,816

As of October 31, 2005, the tax-basis components of accumulated earnings were as follows:

Undistributed tax-exempt income	\$ 2,732,240
Undistributed long-term gains	1,000,184
Net accumulated earnings	3,732,424
Temporary differences	(172,333)
Net unrealized appreciation	18,609,551
Total accumulated earnings	\$22,169,642

During the year ended October 31, 2005, the Trust utilized its net capital loss carryforward of \$4,714,427.

As of October 31, 2005, the Trust had temporary book/tax differences primarily attributable to book amortization of discounts on debt securities, mark-to-market of open futures contracts and dividend payable and permanent book/tax differences attributable to tax adjustments on debt securities sold by the Trust. To reflect reclassifications arising from the permanent differences, accumulated undistributed net investment income was charged and accumulated net realized loss was credited \$9,698.

## Morgan Stanley Insured Municipal Income Trust

## Financial Highlights

Selected ratios and per share data for a common share of beneficial interest outstanding throughout each period:

	FOR THE YEAR ENDED OCTOBER 31,				
	2005	2004	2003	2002	2001
<b>Selected Per Share Data:</b>					
Net asset value, beginning of period	\$ 15.60	\$ 15.76	\$ 15.67	\$ 15.42	\$ 14.44
<b>Income (loss) from investment operations:</b>					
Net investment income*	0.94	0.95	1.01	1.04	1.03
Net realized and unrealized gain (loss)	(0.19)	0.17	0.03	0.11	0.90
Common share equivalent of dividends paid to preferred shareholders*	(0.13)	(0.12)	(0.10)	(0.13)	(0.22)
Total income from investment operations	0.62	1.00	0.94	1.02	1.71
<b>Less dividends and distributions from:</b>					
Net investment income	(0.81)	(0.92)	(0.90)	(0.82)	(0.78)
Net realized gain	—	(0.29)	—	—	—
Total dividends and distributions	(0.81)	(1.21)	(0.90)	(0.82)	(0.78)
Anti-dilutive effect of acquiring treasury shares*	0.09	0.05	0.05	0.05	0.05
Net asset value, end of period	\$ 15.50	\$ 15.60	\$ 15.76	\$ 15.67	\$ 15.42
Market value, end of period	\$ 13.86	\$ 14.09	\$ 14.73	\$ 14.05	\$ 14.13
Total Return†	4.19%	3.91%	11.53%	5.35%	16.70%
<b>Ratios to Average Net Assets of Common Shareholders:</b>					
Total expenses (before expense offset)	0.80% <sup>(1)</sup>	0.82% <sup>(1)</sup>	0.75% <sup>(1)</sup>	0.72%	0.71%
Net investment income before preferred stock dividends	6.01%	6.11%	6.38%	6.82%	6.84%
Preferred stock dividends	0.81%	0.76%	0.66%	0.87%	1.43%
Net investment income available to common shareholders	5.20%	5.35%	5.72%	5.95%	5.41%
<b>Supplemental Data:</b>					
Net assets applicable to common shareholders, end of period, in thousands	\$342,956	\$362,468	\$382,145	\$396,360	\$405,226
Asset coverage on preferred shares at end of period	321%	334%	346%	355%	361%
Portfolio turnover rate	15%	17%	43%	17%	13%

\*The per share amounts were computed using an average number of common shares outstanding during the period.

†Total return is based upon the current market value on the last day of each period reported. Dividends and distributions are assumed to be reinvested at the prices obtained under the Trust's dividend reinvestment plan. Total return does not reflect brokerage commissions.

(1) Does not reflect the effect of expense offset of 0.01%.

See Notes to Financial Statements

20

---

Morgan Stanley Insured Municipal Income Trust

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of  
Morgan Stanley Insured Municipal Income Trust:

We have audited the accompanying statement of assets and liabilities of Morgan Stanley Insured Municipal Income Trust (the "Trust"), including the portfolio of investments, as of October 31, 2005, and the related statements of operations for the year then ended and changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2005, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Morgan Stanley Insured Municipal Income Trust as of October 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
*New York, New York*  
*December 19, 2005*

21

---

Morgan Stanley Insured Municipal Income Trust

Shareholder Voting Results

On October 26, 2005, an annual meeting of the Trust's shareholders was held for the purpose of voting on the following matters, the results of which were as follows:

Election of Trustees by all Shareholders:

	FOR	WITHHELD
Wayne E. Hedien	17,516,105	567,321
Joseph J. Kearns	17,521,371	562,055
Fergus Reid	17,516,647	566,779

Election of Trustee by Preferred Shareholders:

	FOR	WITHHELD
Dr. Manuel H. Johnson	2,391	0

The following Trustees were not standing for reelection at this meeting: Michael Bozic, Charles A. Fiumefreddo, Edwin J. Garn, James F. Higgins and Michael E. Nugent.

22

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information

Independent Trustees:

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant Trustee	Term of Office and Length of Time Served* Since April 1994	Principal Occupation(s) During Past 5 Years** Private Investor; Director or Trustee of the Retail Funds (since April 1994)	Number of Portfolios in Fund Complex Overseen by Trustee*** 197	Other Directorships Held by Trustee Director of various business organizations.
Michael Bozic (64) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the					



Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

Independent Trustees  
 1177 Avenue of the Americas  
 New York, NY 10036

and the Institutional Funds (since July 2003); formerly Vice Chairman of Kmart Corporation (December 1998-October 2000), Chairman and Chief Executive Officer of Levitz Furniture Corporation (November 1995-November 1998) and President and Chief Executive Officer of Hills Department Stores (May 1991-July 1995); formerly variously Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1991) of the Sears Merchandise Group of Sears, Roebuck & Co.

Edwin J. Garn (73)  
 1031 N. Chartwell Court  
 Salt Lake City, UT 84103

Trustee

Since  
 January  
 1993

Consultant; Director or Trustee of the Retail Funds (since January 1993) and the Institutional Funds (since July 2003); member of the Utah Regional Advisory Board of Pacific Corp. (utility company); formerly Managing Director of Summit Ventures LLC (2000-2004) (lobbying and consulting firm); United States Senator (R-Utah) (1974-1992) and Chairman, Senate Banking Committee (1980-1986), Mayor of Salt Lake City, Utah (1971-1974), Astronaut, Space Shuttle Discovery (April 12-19, 1985), and Vice Chairman, Huntsman Corporation (chemical company).

197

Director of Franklin Covey (time management systems), BMW Bank of North America, Inc. (industrial loan corporation), Escrow Bank USA (industrial loan corporation); United Space Alliance (joint venture between Lockheed Martin and the Boeing Company) and Nuskin Asia Pacific (multilevel marketing); member of the board of various civic and charitable organizations.

Wayne E. Hedien (71)  
 c/o Kramer Levin Naftalis & Frankel LLP  
 Counsel to the Independent Trustees  
 1177 Avenue of the Americas  
 New York, NY 10036

Trustee

Since  
 September  
 1997

Retired; Director or Trustee of the Retail Funds; (Since September 1997) and the Institutional Funds (since July 2003); formerly associated with the Allstate Companies (1966-1994),

197

Director of The PMI Group Inc. (private mortgage insurance); Trustee and Vice Chairman of The Field Museum of Natural History;

most recently as Chairman of The Allstate Corporation (March 1993-December 1994) and Chairman and Chief Executive Officer of its wholly-owned subsidiary, Allstate Insurance Company (July 1989-December 1994).

director of various other business and charitable organizations.

23

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information continued

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years**	Number of Portfolios in Fund Complex Overseen by Trustee***	Other Directorships Held by Trustee
Dr. Manuel H. Johnson (56) c/o Johnson Smick Group, Inc. 888 16th Street, N.W. Suite 740 Washington, D.C. 20006	Trustee	Since July 1991	Senior Partner, Johnson Smick International, Inc., a consulting firm; Chairman of the Audit Committee and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2003); Co-Chairman and a founder of the Group of Seven Council (G7C), an international economic commission; formerly Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.	197	Director of NVR, Inc. (home construction); Director of KFX Energy; Director of RBS Greenwich Capital Holdings (financial holding company).
Joseph J. Kearns (63) c/o Kearns & Associates LLC	Trustee	Since July 2003	President, Kearns & Associates LLC (investment consulting);	198	Director of Electro Rent Corporation (equipment leasing),

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

PMB754  
23852 Pacific Coast  
Highway  
Malibu, CA 90265

Deputy Chairman of the  
Audit Committee and  
Director or Trustee of the  
Retail Funds (since July  
2003) and the Institutional  
Funds (since August 1994);  
previously Chairman of the  
Audit Committee of the  
Institutional Funds  
(October 2001-July 2003);  
formerly CFO of the J. Paul  
Getty Trust.

The Ford Family  
Foundation, and the  
UCLA Foundation.

Michael E. Nugent (69)  
c/o Triumph Capital, L.P.  
445 Park Avenue  
New York, NY 10022

Trustee Since  
July 1991

General Partner of Triumph 197  
Capital, L.P., a private  
investment partnership;  
Chairman of the Insurance  
Committee and Director or  
Trustee of the Retail Funds  
(since July 1991) and the  
Institutional Funds (since  
July 2001); formerly Vice  
President, Bankers Trust  
Company and BT Capital  
Corporation (1984-1988).

Fergus Reid (73)  
c/o Lumelite Plastics  
Corporation  
85 Charles Colman Blvd.  
Pawling, NY 12564

Trustee Since  
July 2003

Chairman of Lumelite 198  
Plastics Corporation;  
Chairman of the  
Governance Committee and  
Director or Trustee of the  
Retail Funds (since July  
2003) and the Institutional  
Funds (since June 1992).

Trustee and Director  
of certain investment  
companies in the  
JPMorgan Funds  
complex managed  
by J.P. Morgan  
Investment  
Management Inc.

24

---

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information continued

Interested Trustees:

Name, Age and Address of Interested Trustee	Position(s) Held with Registrant	Term of Office and Length of Time	Principal Occupation(s) During Past 5 Years**	Number of Portfolios in Fund	Other Directorships Held by Trustee
---	----------------------------------	-----------------------------------	---	------------------------------	-------------------------------------

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

		Served*		Complex Overseen by Trustee***	
Charles A. Fiumefreddo (72) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Chairman of the Board and Trustee	Since July 1991	Chairman and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2003); formerly Chief Executive Officer of the Retail Funds (until September 2002).	197	None
James F. Higgins (57) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Trustee	Since June 2000	Director or Trustee of the Retail Funds (since June 2000) and the Institutional Funds (since July 2003); Senior Advisor of Morgan Stanley (since August 2000); Director of the Distributor and Dean Witter Realty Inc.; previously President and Chief Operating Officer of the Private Client Group of Morgan Stanley (May 1999-August 2000), and President and Chief Operating Officer of Individual Securities of Morgan Stanley (February 1997-May 1999).	197	Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services).

\* This is the earliest date the Trustee began serving the funds advised by Morgan Stanley Investment Advisors Inc. (the "Investment Adviser") (the "Retail Funds").

\*\*The dates referenced below indicating commencement of services as Director/Trustee for the Retail Funds and the funds advised by Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP (the "Institutional Funds") reflect the earliest date the Director/Trustee began serving the Retail or Institutional Funds, as applicable.

\*\*\*The Fund Complex includes all open-end and closed-end funds (including all of their portfolios) advised by the Investment Adviser and any funds that have an investment adviser that is an affiliated person of the Investment Adviser (including, but not limited to, Morgan Stanley Investment Management Inc.).

25

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information continued

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years**
Ronald E. Robison (66) 1221 Avenue of the Americas New York, NY 10020	President and Principal Executive Officer	Since May 2003	President (since September 2005) and Principal Executive Officer of funds in the Fund Complex (since May 2003); Managing Director of Morgan Stanley & Co. Incorporated and Morgan Stanley; Managing Director and Director of Morgan Stanley Investment Management Inc., Morgan Stanley Distribution Inc. and Morgan Stanley Distributors Inc.; Managing Director, Chief Administrative Officer and Director of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc.; Chief Executive Officer and Director of Morgan Stanley Trust; Director of Morgan Stanley SICAV (since May 2004); President (since September 2005) and Principal Executive Officer (since May 2003) of the Van Kampen Funds; previously, Executive Vice President (July 2003-September 2005) of funds in the Fund Complex and the Van Kampen Funds. He was also previously President and Director of the Institutional Funds (March 2001-July 2003), Chief Global Operations Officer of Morgan Stanley Investment Management Inc. and Chief Executive Officer and Chairman of Van Kampen Investor Services.
Joseph J. McAlinden (62) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since July 1995	Managing Director and Chief Investment Officer of the Investment Adviser and Morgan Stanley Investment Management Inc.; Chief Investment Officer of the Van Kampen Funds; Vice President of the Institutional Funds (since July 2003) and the Retail Funds (since July 1995).
Barry Fink (50) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since February 1997	General Counsel (since May 2000) and Managing Director (since December 2000) of Morgan Stanley Investment Management; Managing Director (since December 2000), Secretary (since February 1997) and Director of the Investment Adviser and the Administrator; Vice President of the Retail Funds; Assistant Secretary of Morgan Stanley DW; Vice President of the Institutional Funds (since July 2003); Managing Director, Secretary and Director of the Distributor; previously Secretary (February 1997-July 2003) and General Counsel (February 1997-April 2004) of the Retail Funds; Vice President and Assistant General Counsel of the Investment Adviser and the

Edgar Filing: MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST - Form N-CSR

Amy R. Doberman (43) 1221 Avenue of Americas New York, NY 10020	Vice President	Since July 2004	Administrator (February 1997-December 2001). Managing Director and General Counsel, U.S. Investment Management; Managing Director of Morgan Stanley Investment Management Inc. and the Investment Adviser, Vice President of the Institutional and Retail Funds (since July 2004); Vice President of the Van Kampen Funds (since August 2004); previously, Managing Director and General Counsel — Americas, UBS Global Asset Management (July 2000 – July 2004) and General Counsel, Aeltus Investment Management Inc. (January 1997 – July 2000).
Carsten Otto (41) 1221 Avenue of the Americas New York, NY 10020	Chief Compliance Officer	Since October 2004	Executive Director and U.S. Director of Compliance for Morgan Stanley Investment Management (since October 2004); Executive Director of the Investment Adviser and Morgan Stanley Investment Management Inc.; formerly Assistant Secretary and Assistant General Counsel of the Morgan Stanley Retail Funds.

26

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information continued

Name, Age and Address of	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years**
Executive Officer Stefanie V. Chang (38) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since July 2003	Executive Director of Morgan Stanley & Co. Incorporated, Morgan Stanley Investment Management Inc. and the Investment Adviser; Vice President of the Institutional Funds (since December 1997) and the Retail Funds (since July 2003); formerly practiced law with the New York law firm of Rogers & Wells (now Clifford Chance US LLP).
Francis J. Smith (40) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Treasurer and Chief Financial Officer	Treasurer since July 2003 and Chief Financial Officer since	Executive Director of the Investment Adviser and the Administrator (since December 2001); previously, Vice President of the Retail Funds (September 2002-July 2003); Vice President of the Investment Adviser and the Administrator (August 2000-November 2001).

		September 2002	
Thomas F. Caloia (59) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Vice President	Since July 2003	Executive Director (since December 2002) and Assistant Treasurer of the Investment Adviser, the Distributor and the Administrator; previously Treasurer of the Retail Funds (April 1989-July 2003); formerly First Vice President of the Investment Adviser, the Distributor and the Administrator.
Mary E. Mullin (38) 1221 Avenue of the Americas New York, NY 10020	Secretary	Since July 2003	Executive Director of Morgan Stanley & Co. Incorporated, Morgan Stanley Investment Management Inc. and the Investment Adviser; Secretary of the Institutional Funds (since June 1999) and the Retail Funds (since July 2003); formerly practiced law with the New York law firms of McDermott, Will & Emery and Skadden, Arps, Slate, Meagher & Flom LLP.

\*This is the earliest date the Officer began serving the Retail Funds. Each Officer serves an indefinite term, until his or her successor is elected.

\*\*The dates referenced below indicating commencement of service as an Officer for the Retail and Institutional Funds reflect the earliest date the Officer began serving the Retail or Institutional Funds, as applicable.

In accordance with Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Trust's Annual CEO Certification certifying as to compliance with NYSE's Corporate Governance Listing Standards was submitted to the Exchange on January 7, 2005.

The Trust's Principal Executive Officer and Principal Financial Officer Certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Fund's N-CSR and are available on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

**2005 Federal Tax Notice (unaudited)**

For the year ended October 31, 2005, all of the Trust's dividends from net investment income received by both common and preferred shareholder classes were exempt interest dividends, excludable from gross income for Federal income tax purposes.

Trustees

Michael Bozic  
Charles A. Fiumefreddo  
Edwin J. Garn  
Wayne E. Hedien  
James F. Higgins

MORGAN STANLEY FUNDS

Morgan Stanley  
Insured Municipal Income Trust

Dr. Manuel H. Johnson  
Joseph J. Kearns  
Michael E. Nugent  
Fergus Reid

Annual Report  
October 31, 2005

Officers

Charles A. Fiumefreddo  
*Chairman of the Board*

Ronald E. Robison  
*President and Principal Executive Officer*

Joseph J. McAlinden  
*Vice President*

Barry Fink  
*Vice President*

Amy R. Doberman  
*Vice President*

Carsten Otto  
*Chief Compliance Officer*

Stefanie V. Chang  
*Vice President*

Francis J. Smith  
*Treasurer and Chief Financial Officer*

Thomas F. Caloia  
*Vice President*

Mary E. Mullin  
*Secretary*

Transfer Agent

Morgan Stanley Trust  
Harborside Financial Center, Plaza Two  
Jersey City, New Jersey 07311

Independent Registered Public Accounting  
Firm

Deloitte & Touche LLP  
Two World Financial Center  
New York, New York 10281

Investment Adviser



Morgan Stanley Investment Advisors Inc.  
1221 Avenue of the Americas  
New York, New York 10020

Investments and services offered through  
Morgan Stanley DW Inc., member SIPC.

© 2005 Morgan Stanley

37958RPT-RA05-01054P-Y10/05

---