MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST
Form N-CSR
January 23, 2007

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.
Income earned by certain securities in the portfolio may be subject to the federal alternative minimum tax (AMT).

Fund Report
For the year ended October 31, 2006

Market Conditions

Against the backdrop of strong economic growth, good employment data and inflationary pressures stemming from rising oil prices, the Federal Open Market Committee (the ''Fed'') continued its tightening campaign during the first eight months of the reporting period, raising the federal funds target rate six times to 5.25 percent at the end of June. In the months that followed, however, economic growth moderated as consumer spending and housing weakened while inflation concerns eased, prompting the Fed to keep its target rate unchanged for the remainder of the period.

Short-term municipal bonds posted the lowest returns as Fed rate hikes pushed yields in this portion of the market higher. Representative yields on two-year AAA municipals increased from 3.10 percent to 3.50 percent during the period. In contrast, long-term municipal bonds earned the best returns, with yields on 30-year AAA-rated municipal bonds declining from 4.60 percent to 4.10 percent. Accordingly, the spread between long-term and short-term interest rates narrowed and the slope of the municipal yield curve flattened dramatically.

Continued interest in the municipal market by institutional investors and non-traditional buyers such as hedge funds strengthened demand for municipal bonds. However, municipal bond issuance lagged last year's record pace by 12 percent in the first 10 months of 2006. The overall decline was due in great part to a slowdown of refunding activity to roughly one half of the previous year's rate. Issuers in California, Texas, Florida, New York and Illinois accounted for about 40 percent of 2006 year-to-date underwriting volume. Bond issues backed by insurance had close to a 50 percent market share.

Strong demand and lower supply helped municipal bond performance keep pace with that of Treasuries. The municipal-to-Treasury yield ratio measures the relative attractiveness of the two sectors. A decline in this ratio indicates that while municipals outperformed Treasuries for the period measured, they also became richer (less attractive) on a relative basis. During the 12-month reporting period, the 30-year municipal-to- Treasury yield ratio declined from 92 to 87 percent. In comparison, this yield ratio reached a high of 102 percent in 2005.

Performance Analysis

For the 12-month period ended October 31, 2006, the net asset value (NAV) of Morgan Stanley Insured Municipal Income Trust (IIM) increased from $15.50 to $15.81 per share. Based on this change plus reinvestment of tax-free dividends totaling $0.800 per share and a long-term capital gain distribution of $0.045 per share, the Trust's total NAV return was 8.14 percent. IIM's value on the New York Stock Exchange (NYSE) moved from $13.86 to $14.55 per share during the same period. Based on this change plus reinvestment of dividends and distributions, the Trust's total market return was 11.30 percent. IIM's NYSE market price was at a 7.97 percent discount to

its NAV. During the fiscal period, the Trust purchased and retired 694,700 shares of common stock at a weighted average market discount of 7.85 percent. *Past performance is no guarantee of future results.*

Monthly dividends for the fourth quarter of 2006, declared in September, decreased from $0.0675 to $0.0575 per share. The dividend reflects the current level of the Trust's net investment income. IIM's level of undistributed net investment income was $0.050 per share on October 31, 2006, versus $0.120 per share 12 months earlier.[1]

During the reporting period, the Trust's interest-rate posture continued to reflect the anticipation of higher rates. As a result, at the end of October the Trust's option-adjusted duration* including leverage was positioned at 9.7 years. To implement this strategy of reducing the portfolio's duration, a U.S. Treasury futures hedge and a BMA (Bond Market

Association) interest-rate swap contract were used. This positioning helped total returns as interest rates rose but tempered performance when rates declined. Purchases during the period favored bonds with maturities of 20 years or longer. The Trust benefited from this emphasis on the long end of the yield curve, as this segment of the market performed strongly.

Another boost to performance came from issues that appreciated significantly when they were pre-refunded. Reflecting a commitment to diversification, the Trust's net assets of approximately $494 million, including preferred shares, were invested among 11 long-term sectors and 80 credits. As of the close of the period, the Trust's largest allocations were to the transportation, water and sewer, and electric sectors.

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.

The Fed's policy of raising interest rates throughout much of the period increased the cost of ARPS borrowing to the common shareholder, which reduced the benefits of leverage. During this 12-month period, ARPS leverage contributed approximately $0.09 per share to common-share earnings. The Trust had five ARPS series totaling $155 million, representing 31 percent of net assets, including preferred shares. ARPS rates ranged from 1.48 to 4.00 percent during the fiscal period.

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.

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.

There is no guarantee that any sectors mentioned will continue to perform as discussed herein or that securities in such sectors will be held by the Trust in the future.

[1] Income earned by certain securities in the portfolio may be subject to the federal alternative minimum tax (AMT).
* *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. Duration calculations are adjusted for leverage.*

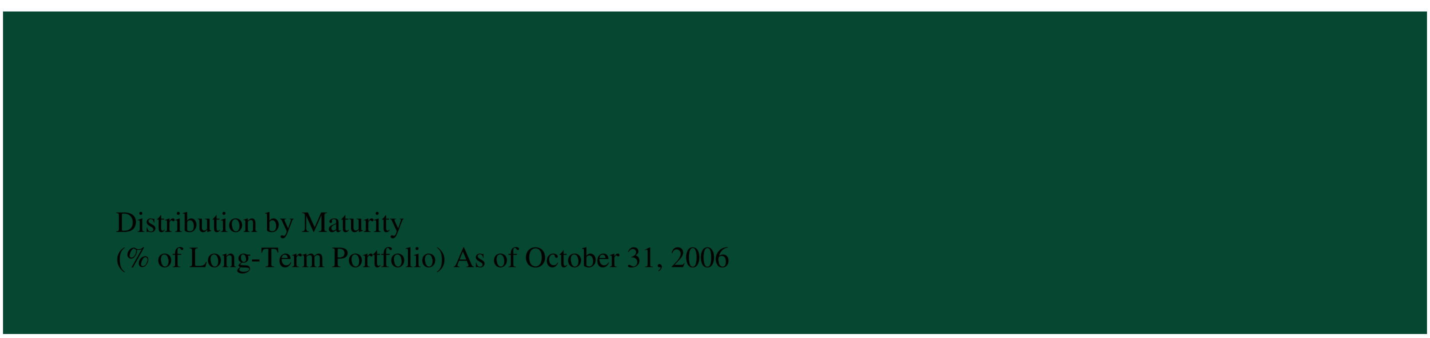
TOP FIVE SECTORS	
Transportation	34.2%
Water & Sewer	28.5
Electric	24.2
Refunded	18.1
General Obligation	8.5

CREDIT ENHANCEMENTS	
FGIC	28.0%
MBIA	25.0
Ambac	21.7
FSA	21.2
XLCA	3.7
AGC	0.4

Data as of October 31, 2006. 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. The semiannual reports and the annual reports are filed electronically with the Securities and Exchange Commission (SEC) on Form N-CSRS and Form N-CSR, respectively. 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. 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) or by writing the public reference section of the SEC, Washington, DC 20549-0102.



Weighted Average Maturity: 18 Years[(a)]

(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	0.8%
California	14.0

Colorado	1.5
District of Columbia	3.4
Florida	5.0
Georgia	2.6
Hawaii	1.1
Illinois	7.4
Indiana	0.9%
Louisiana	0.9
Maryland	0.3
Massachusetts	1.1
Michigan	3.4
Minnesota	1.1
Missouri	1.2
Nebraska	1.3
Nevada	3.7%
New Hampshire	0.3
New Jersey	2.7
New York	9.5
North Carolina	2.0
Ohio	0.2
Oregon	0.7
Pennsylvania	3.6
Rhode Island	2.2%
South Carolina	3.4
Texas	16.3
Utah	1.1
Virginia	1.4
Washington	6.7
West Virginia	0.6
Joint exemptions*	(0.4)
Total†	100.0%

* Joint exemptions have been included in each geographic location.

† Does not include open short future contracts with an underlying face value amount of $23,515,938 with unrealized depreciation of $189,668 and an interest rate swap contract with an unrealized depreciation of $465,502.

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Call and Cost (Book) Yield Structure
(Based on Long-Term Portfolio) As of October 31, 2006

Years Bonds Callable—Weighted Average Call Protection: 7 Years

Cost (Book) Yield[(b)]—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 6.1% on 1% of the long-term portfolio that is callable in 2007.

Portfolio structure is subject to change.

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2006

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Tax-Exempt Municipal Bonds (144.3%)			
	General Obligation (8.5%)			
$ 3,000	Los Angeles, California, Ser 2004 A (MBIA)	5.00%	09/01/24	$ 3,194,700
	District of Columbia,			
5,000	Refg Ser 1993 B (Ambac)	5.50	06/01/09	5,238,250
6,000	Refg Ser 1993 B (FSA)	5.50	06/01/10	6,343,440
4,110	Pennsylvania, First Ser 2003 (MBIA)‡‡	5.00	01/01/19	4,426,634
4,000	Houston, Texas, Public Impr & Refg Ser 2001 B (FSA)	5.50	03/01/17	4,289,760
3,000	King County, Washington, Refg 1998 Ser B (MBIA)	5.25	01/01/34	3,078,090
2,500	Spokane School District #81, Washington, Ser 2005 (MBIA)	0.00#	12/01/23	2,390,400
27,610				28,961,274
	Educational Facilities Revenue (4.6%)			
2,500	University of Arizona, 2003 Ser B COPs (Ambac)	5.00	06/01/23	2,629,325
	University of California,			
2,000	Ser 2003 B (Ambac)	5.00	05/15/22	2,127,060
2,000	Multi Purpose Ser Q (FSA)	5.00	09/01/31	2,104,140
3,000	District of Columbia, American Association for the Advancement of Science Ser 1997 (Ambac)	5.125	01/01/27	3,097,320
1,300	New Hampshire Health & Education Facilities Authority, University of New Hampshire Ser 2001 (Ambac)	5.125	07/01/33	1,373,229
1,000	University of Medicine and Dentistry, New Jersey, Ser 2004 COPs (MBIA)	5.00	06/15/29	1,056,680
3,000	University of North Carolina at Wilmington, Student Housing Ser 2005 COPs (FGIC)	5.00	06/01/36	3,148,200
14,800				15,535,954

	Electric Revenue (24.2%)			
4,000	Arkansas River Power Authority, Colorado, Power Ser 2006 (XLCA)	5.25	10/01/40	4,312,400
4,000	Lafayette, Louisiana, Utilities Ser 2004 (MBIA)	5.25	11/01/25	4,365,200
2,500	Missouri Joint Municipal Electric Utility Commission Plum Point Ser 2006 (MBIA)	5.00	01/01/26	2,669,375
5,000	Nebraska Public Power District, 2003 Ser A (Ambac)	5.00	01/01/35	5,231,700
	Long Island Power Authority, New York,			
4,000	Ser 2006 A (XLCA)	5.00	12/01/26	4,261,560
3,000	Refg Ser 2003 C (FSA)	5.00	09/01/28	3,158,400
6,000	North Carolina Municipal Power Agency # 1, Catawba Ser 2003 A (MBIA)	5.25	01/01/19	6,468,840
	South Carolina Public Service Authority, Santee Cooper			
10,000	2003 Ser A (Ambac)	5.00	01/01/27	10,516,800
4,000	2006 Ser A (MBIA)	5.00	01/01/36	4,249,000

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2006 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Lower Colorado River Authority, Texas,			
$ 10,000	Refg Ser 1999 A (FSA)	5.875%	05/15/16	$ 10,625,899
5,000	Refg Ser 2001 (FSA)	5.00	05/15/26	5,170,950
8,780	Refg Ser 2002 (MBIA)	5.00	05/15/31	9,165,091
5,000	Intermountain Power Agency, Utah, 2003 Ser A (FSA)	5.00	07/01/21	5,348,650
6,000	Cowlitz County Public Utility District # 1, Washington, Production Ser 2006 (MBIA)	5.00	09/01/31	6,360,720
77,280				81,904,585
	Hospital Revenue (5.0%)			
2,000	Illinois Finance Authority, Swedish American Hospital Ser 2004 (Ambac)	5.00	11/15/31	2,094,960
2,000	Indiana Health Facilities Financing Authority, Community Health Ser 2005 A (Ambac)	5.00	05/01/35	2,100,980
105	Missouri Health & Educational Facilities, SSM Health Care Ser 1998 A (MBIA)	5.00	06/01/22	107,627
1,500		5.25	02/15/25	1,612,380

	Medical University Hospital Authority, South Carolina, FHA Insured Mtge Ser 2004 A (MBIA)			
	Amarillo Health Facilities Corporation, Texas,			
3,020	Baptist St Anthony's Hospital Ser 1998 (FSA)	5.50	01/01/16	3,365,820
5,075	Baptist St Anthony's Hospital Ser 1998 (FSA)	5.50	01/01/17	5,676,236
2,000	Washington State Health Care Facilities Authority, Kadlec Medical Center Ser 2006 A (AGC)	5.00	12/01/30	2,107,640
15,700				17,065,643
	Industrial Development/Pollution Control Revenue (2.2%)			
5,000	Hawaii Department of Budget and Finance, Hawaiian Electric Co Ser 1999 C (AMT) (Ambac)	6.20	11/01/29	5,387,350
2,000	Delaware County Industrial Development Authority, Pennsylvania, Aqua Inc Ser A 2005 (AMT) (FGIC)	5.00	11/01/37	2,090,200
7,000				7,477,550
	Public Facilities Revenue (7.9%)			
15,000	Miami-Dade County School Board, Florida, 2003 Ser A (FGIC)	5.00	08/01/29	15,666,600
3,000	Orange County School Board, Florida, Ser 2001 A COPs (Ambac)	5.25	08/01/14	3,256,980
4,200	New York State Dormitory Authority, School District Ser 2002 E (MBIA)	5.50	10/01/17	4,627,602
3,000	Oregon Department of Administrative Services, Ser 2005 B COPs (FGIC)	5.00	11/01/24	3,198,030
25,200				26,749,212

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2006 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Recreational Facilities Revenue (6.8%)			
$ 3,000	Denver Convention Center Hotel Authority, Colorado, Refg Ser 2006 (XLCA)	5.00%	12/01/30	$ 3,183,000
2,000	District of Columbia Ballpark, Ser 2006 B-1 (FGIC)	5.00	02/01/31	2,115,960
	Metropolitan Pier & Exposition Authority, Illinois,			
3,000	McCormick Place Refg Ser 2002 B (MBIA)	0.00##	06/15/18	2,506,290
5,000	McCormick Place Ser 2002 A (MBIA)	5.25	06/15/42	5,365,550
2,400		5.00	06/01/19	2,537,760

	Marion County Convention & Recreational Facilities Authority, Indiana, Refg Ser 2003 A (Ambac)			
1,500	Baltimore, Maryland, Convention Center Hotel Ser 2006 A (XLCA)	5.25	09/01/39	1,632,660
1,000	Omaha Convention Hotel Corporation, Nebraska, Ser 2002 A (Ambac)	5.50	04/01/18	1,086,820
	New York City Industrial Development Agency, New York,			
2,000	Queens Baseball Stadium – Ser 2006 (Ambac)	5.00	01/01/31	2,144,020
2,500	Yankee Stadium Ser 2006 (FGIC)	5.00	03/01/46	2,651,350
22,400				23,223,410
	Transportation Facilities Revenue (34.2%)			
1,000	Phoenix Civic Improvement Corporation, Arizona, Sr Lien Airport Ser 2002 B (AMT) (FGIC)	5.75	07/01/19	1,093,450
9,000	Long Beach, California, Harbor Refg Ser 1998 A (AMT) (FGIC)	6.00	05/15/18	10,618,470
5,000	Atlanta, Georgia, Airport Ser 2004 C (FSA)	5.00	01/01/33	5,241,200
5,000	Chicago, Illinois, O’Hare Int’l Airport, Third Lien Ser 2005 A (MBIA)	5.25	01/01/25	5,445,350
4,000	Illinois Toll Highway Authority, Priority Refg 1998 Ser A (FSA)	5.50	01/01/15	4,492,760
8,000	Massachusetts Turnpike Authority, Metropolitan Highway 1997 Ser A (MBIA)‡‡	5.00	01/01/37	8,173,400
5,000	Minneapolis – St Paul Metropolitan Airports Commission, Minnesota, Ser 2001 C (FGIC)	5.25	01/01/32	5,251,100
3,000	St Louis, Missouri, Lambert Int’l Airport Ser 2001 A (MBIA)	5.00	07/01/20	3,125,760
7,000	Nevada Department of Business & Industry, Las Vegas Monorail 1st Tier Ser 2000 (Ambac)	5.375	01/01/40	7,295,890
2,000	Delaware River Port Authority, New Jersey & Pennsylvania, Ser 1995 (FGIC)**	5.50	01/01/26	2,042,920
4,000	New Jersey Transportation Trust Fund Authority, Ser 2005 C (FGIC)	5.25	06/15/20	4,387,400
	Metropolitan Transportation Authority, New York,			
3,000	Dedicated Tax Fund Refg Ser 2002 A (FSA)	5.25	11/15/24	3,247,860
10,000	Transportation Refg Ser 2002 A (FGIC)	5.00	11/15/25	10,642,000
10,000	Triborough Bridge & Tunnel Authority, New York, Refg 2002 E (MBIA)	5.25	11/15/22	10,826,200
9,000	Dallas-Fort Worth International Airport, Texas, Ser 2003 A (AMT) (FSA)	5.375	11/01/22	9,680,220
3,000	Harris County, Texas, Toll Road Sr Lien Ser 2005 A (FSA)	5.25	08/15/35	3,147,660
4,000	Texas Turnpike Authority, Central Texas First Tier Ser 2002 A (Ambac)	5.50	08/15/39	4,343,640

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2006 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
$ 3,000	Richmond Metropolitan Authority, Virginia, Refg Ser 2002 (FGIC)	5.25%	07/15/22	$ 3,435,900
	Port of Seattle, Washington,			
8,025	Passenger Facility Ser 1998 A (MBIA)‡‡	5.00	12/01/23	8,238,200
5,000	Ser 2001 B (AMT) (MBIA)	5.625	02/01/24	5,286,250
108,025				116,015,630
	Water & Sewer Revenue (28.5%)			
5,000	Los Angeles Department of Water & Power, California, Water 2004 Ser C (MBIA)	5.00	07/01/24	5,318,600
4,000	Oxnard Financing Authority, California, Water Ser 2004 (XLCA)	5.00	06/01/28	4,204,520
3,000	Sacramento Sanitation Districts Financing Authority, California, Ser 2006 (FGIC)	5.00	12/01/36	3,205,950
	San Diego County Water Authority, California,			
5,000	Ser 2002 A COPs (MBIA)	5.00	05/01/27	5,250,150
5,000	Ser 2004 A COPs (FSA)	5.00	05/01/29	5,292,650
5,000	Tampa Bay Water Authority, Florida, Ser 2001 A (FGIC)	5.00	10/01/28	5,192,750
5,000	Atlanta, Georgia, Water & Wastewater, Ser 2004 (FSA)	5.00	11/01/23	5,320,100
2,000	Augusta, Georgia, Water & Sewer Ser 2004 A (FSA)	5.25	10/01/39	2,157,580
	Detroit, Michigan,			
3,000	Sewage Refg Ser 2003 A (FSA)	5.00	07/01/26	3,144,360
8,000	Sewage Refg Ser 2003 A (FSA)	5.00	07/01/28	8,366,000
3,000	Sewage Disposal Ser 2001 A (FGIC)	5.125	07/01/31	3,148,740
5,080	Las Vegas Water District, Nevada, Impr & Refg Ser 2003 A (FGIC)	5.25	06/01/19	5,483,708
1,005	Cleveland, Ohio, Waterworks Impr & Refg 1998 Ser I (FSA)	5.00	01/01/23	1,027,391
5,000	Philadelphia, Pennsylvania, Water & Wastewater Ser 1998 (Ambac)	5.25	12/15/14	5,552,150
15,000	Houston, Texas, Combined Utility Refg 2004 Ser A (FGIC)	5.25	05/15/23	16,301,250
3,000	San Antonio, Texas, Water & Refg Ser 2002 A (FSA)	5.00	05/15/32	3,115,200
	Seattle, Washington,			
2,890	Water Refg 2003 (MBIA)	5.00	09/01/20	3,090,566
2,870	Water Refg 2003 (MBIA)	5.00	09/01/23	3,041,540
5,000	King County, Washington, Sewer Refg 2001 (FGIC)	5.00	01/01/31	5,184,950
2,900	West Virginia Water Development Authority, Loan Program II Refg 2003 Ser B (Ambac)	5.25	11/01/23	3,159,956
90,745				96,558,111

	Other Revenue (4.3%)			
3,000	California, Economic Recovery Ser 2004 A (MBIA)	5.00	07/01/15	3,282,210
6,000	Golden State Tobacco Securitization Corporation, California, Enhanced Asset Backed Ser 2005 A (FGIC)	5.00	06/01/38	6,331,620
	New York City Transitional Finance Authority, New York,			
2,000	2000 Ser C (Ambac)	5.25	08/01/21	2,165,040
2,500	2000 Ser C (Ambac)	5.25	08/01/22	2,694,875
13,500				14,473,745

See Notes to Financial Statements

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2006 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Refunded (18.1%)			
	California Infrastructure & Economic Development Bank,			
$ 5,000	Bay Area Toll Bridges Seismic Retrofit 1st Lien Ser 2003 A (FGIC) (ETM)	5.00%	01/01/28	$ 5,689,900
10,000	Bay Area Toll Bridges Seismic Retrofit 1st Lien Ser 2003 A (Ambac) (ETM)	5.00	01/01/28	11,379,800
15,000	Chicago, Illinois, Neighborhoods Alive 21 Ser 2001 A (FGIC)	5.50	01/01/11†	16,095,750
3,275	Massachusetts Municipal Wholesale Electric Company, 1993 Ser A (Ambac) (ETM)	5.00	07/01/10	3,376,460
5,000	New Jersey Educational Facilities Authority, Higher Education Ser 2002 A (Ambac)††	5.25	09/01/12†	5,439,950
5,000	Allegheny County Hospital Development Authority, Pennsylvania, Pittsburgh Mercy Health Ser 1996 (Ambac) (ETM)	5.625	08/15/18	5,439,250
10,000	Rhode Island Depositors Economic Protection Corporation, Refg 1992 Ser B (MBIA) (ETM)	6.00	08/01/17	10,515,300
3,000	Alexandria Industrial Development Authority, Virginia, Institute for Defense Analysis Ser 2000 A (Ambac)	5.90	10/01/10†	3,285,060
56,275				61,221,470
458,535	Total Tax-Exempt Municipal Bonds *(Cost $463,104,752)*			489,186,584
	Short-Term Tax-Exempt Municipal Obligations *(3.4%)*			

1,900	Michigan Strategic Fund, Detroit Symphony Orchestra Ser 2001 B (Demand 11/01/06)	3.65*	06/01/31		1,900,000
5,300	Las Vegas, Nevada, Ser 2006 C (Demand 11/01/06)	3.60*	06/01/36		5,300,000
4,200	Harris County Health Facilities Authority, Texas, St Luke's Episcopal Hospital Ser 2001 B (Demand 11/01/06)	3.65*	02/15/31		4,200,000
11,400	Total Short-Term Tax-Exempt Municipal Obligations *(Cost $11,400,000)*				11,400,000
469,935	Total Investments *(Cost $474,504,752) (a) (b)*				500,586,584
	Floating Rate Note Obligations Related to Securities Held (−4.1%)				
(14,080)	Notes with interest rates ranging from 3.59% to 3.60% at October 31, 2006 and contractual maturities of collateral ranging from 01/01/19 to 01/01/37 (see Note 1D)‡ *(Cost $(14,080,000))*				(14,080,000)
$455,855	Total Net Investments *(Cost $460,424,752)*			143.6%	486,506,584
	Other Assets in Excess of Liabilities			2.1	7,351,683
	Preferred Shares of Beneficial Interest			(45.7)	(155,000,000)
	Net Assets Applicable to Common Shareholders			100.0%	$ 338,858,267

See Notes to Financial Statements

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2006 continued

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.
†	Prerefunded to call date shown.

†A portion of this security has been physically segregated in connection with open futures contracts in the amount of $110,000.

‡Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at October 31, 2006.

‡‡ Underlying security related to inverse floaters entered into by the Trust (See Note 1D).

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 $23,682,377 in connection with open futures contracts and an open interest rate swap contract.

(b) The aggregate cost for federal income tax purposes is $460,363,689. The aggregate gross and net unrealized appreciation is $26,142,895.

Bond Insurance:

AGC	Assured Guaranty Corporation.
Ambac	Ambac Assurance Corporation.
FGIC	Financial Guaranty Insurance Company.

FSA	Financial Security Assurance Inc.
MBIA	Municipal Bond Investors Assurance Corporation.
XLCA	XL Capital Assurance Inc.

Futures Contracts Open at October 31, 2006:

NUMBER OF CONTRACTS	LONG/SHORT	DESCRIPTION DELIVERY MONTH, AND YEAR	UNDERLYING FACE AMOUNT AT VALUE	UNREALIZED DEPRECIATION
110	Short	U.S. Treasury Notes 5 Year December 2006	$(11,611,875)	$(65,615)
110	Short	U.S. Treasury Notes 10 Year December 2006	(11,904,063)	(124,053)
		Total Unrealized Depreciation		$(189,668)

Interest Rate Swap Contract Open at October 31, 2006:

COUNTERPARTY	NOTIONAL AMOUNT (000)	PAYMENTS MADE BY TRUST	PAYMENTS RECEIVED BY TRUST	TERMINATION DATE	UNREALIZED DEPRECIATION
J.P. Morgan Chase Co.	$30,000	Fixed Rate 3.85%	Floating Rate BMA (Bond Market Association)	12/19/16	$(465,502)

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Financial Statements

Statement of Assets and Liabilities

October 31, 2006

Assets:	
Investments in securities, at value (cost $474,504,752)	$500,586,584
Cash	123,627
Interest receivable	8,162,791
Prepaid expenses and other assets	34,094

Total Assets	508,907,096
Liabilities:	
Floating rate note obligations related to securities held	14,080,000
Unrealized depreciation on an open swap contract	465,502
Payable for:	
Common shares of beneficial interest repurchased	120,733
Investment advisory fee	116,655
Variation margin	84,218
Administration fee	34,564
Transfer agent fee	3,174
Accrued expenses and other payables	143,983
Total Liabilities	15,048,829
Preferred shares of beneficial interest (at liquidation value) *(1,000,000 shares authorized of non-participating $.01 par value, 3,100 shares outstanding)*	155,000,000
Net Assets Applicable to Common Shareholders	$338,858,267
Composition of Net Assets Applicable to Common Shareholders:	
Common shares of beneficial interest *(unlimited shares authorized of $.01 par value, 21,435,459 shares outstanding)*	$310,839,672
Net unrealized appreciation	25,426,662
Accumulated undistributed net investment income	1,081,762
Accumulated undistributed net realized gain	1,510,171
Net Assets Applicable to Common Shareholders	$338,858,267
Net Asset Value Per Common Share	
($338,858,267 divided by 21,435,459 common shares outstanding)	$ 15.81

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Financial Statements continued

Statement of Operations

For the year ended October 31, 2006

Net Investment Income:	
Interest Income	$23,306,487
Expenses	
Investment advisory fee	1,332,858
Auction commission fees	483,072
Administration fee	394,921
Interest and residual trust expenses	249,311
Professional fees	75,779

Transfer agent fees and expenses	46,835
Auction agent fees	43,414
Shareholder reports and notices	43,212
Custodian fees	21,494
Listing fees	19,972
Trustees' fees and expenses	10,755
Other	82,631
Total Expenses	2,804,254
Less: expense offset	(21,218)
Net Expenses	2,783,036
Net Investment Income	20,523,451
Net Realized and Unrealized Gain:	
Net Realized Gain on:	
Investments	1,240,699
Futures contracts	1,330,171
Net Realized Gain	2,570,870
Net Change in Unrealized Appreciation on:	
Investments	7,562,717
Futures contracts	(1,250,363)
Swap contract	(465,502)
Net Appreciation	5,846,852
Net Gain	8,417,722
Dividends to preferred shareholders from net investment income	(4,690,598)
Net Increase	$24,250,575

See Notes to Financial Statements

Morgan Stanley Insured Municipal Income Trust

Financial Statements continued

Statements of Changes in Net Assets

	FOR THE YEAR ENDED OCTOBER 31, 2006	FOR THE YEAR ENDED OCTOBER 31, 2005
Increase (Decrease) in Net Assets:		
Operations:		
Net investment income	$ 20,523,451	$ 21,386,916
Net realized gain	2,570,870	2,578,463
Net change in unrealized appreciation/depreciation	5,846,852	(6,758,365)
Dividends to preferred shareholders from net investment income	(4,690,598)	(2,903,008)

Net Increase	24,250,575	14,304,006
Dividends and Distributions to Common Shareholders from:		
Net investment income	(17,401,436)	(18,336,951)
Net realized gain	(1,000,186)	—
Total Dividends and Distributions	(18,401,622)	(18,336,951)
Decrease from transactions in common shares of beneficial interest	(9,946,691)	(15,479,394)
Net Decrease	(4,097,738)	(19,512,339)
Net Assets Applicable to Common Shareholders:		
Beginning of period	342,956,005	362,468,344
End of Period		
(Including accumulated undistributed net investment income of $1,081,762 and $2,650,359, respectively)	$338,858,267	$342,956,005

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2006

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; (3) interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as unrealized appreciation or depreciation in the Statement of Operations; and (4) 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

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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.

D. Floating Rate Note Obligations Related to Securities Held — The Trust enters into transactions in which it transfers to Dealer Trusts (‘‘Dealer Trusts’’), fixed rate bonds in exchange for cash and residual interests in the Dealer Trusts' assets and cash flows, which are in the form of inverse floating rate investments. The Dealer Trusts fund the purchases of the fixed rate bonds by issuing floating rate notes to third parties and allowing the Trust to retain residual interest in the bonds. The Trust enters into shortfall agreements with the Dealer Trusts which commit the Trust to pay the Dealer Trusts, in certain circumstances, the difference between the liquidation value of the fixed rate bonds held by the Dealer Trusts and the liquidation value of the floating rate notes held by third parties, as well as any shortfalls in interest cash flows. The residual interests held by the Trust (inverse floating rate investments) include the right of the Trust (1) to cause the holders of the floating rate notes to tender their notes at par at the next interest rate reset date, and (2) to transfer the municipal bond from the Dealer Trusts to the Trust, thereby collapsing the Dealer Trusts. The Trust accounts for the transfer of bonds to the Dealer Trusts as secured borrowings, with the securities transferred remaining in the Trust's investment assets, and the related floating rate notes reflected as Trust liabilities under the caption ‘‘floating rate note obligations’’ on the ‘‘Statement of Assets and Liabilities’’. The Trust records the interest income from the fixed rate bonds under the caption ‘‘Interest Income’’ and records the expenses related to floating rate note obligations and any administrative expenses of the dealer trusts under the caption ‘‘Interest and residual trust expenses’’ in the Trust's ‘‘Statement of Operations’’. The notes issued by the Dealer Trusts have interest rates that reset weekly and the floating rate note holders have the option to tender their notes to the Dealer Trusts for redemption at par at each reset date. At October 31, 2006, Trust investments with a value of $20,838,234 are held by the Dealer Trusts and serve as collateral for the $14,080,000 in floating rate note obligations outstanding at that date. Contractual maturities of the floating rate note obligations and interest rates in effect at October 31, 2006 are presented in the ‘‘Portfolio of Investments’’.

E. Interest Rate Swaps — Interest rate swaps involve the exchange of commitments to pay and receive interest based on a notional principal amount. Net periodic interest payments to be received or paid are accrued daily and are recorded as realized gains or losses in the Statement of Operations.

F. 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.

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

H. 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.

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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 the 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, 2006, aggregated $64,008,000 and $78,800,673, 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, 2006, included in Trustees' fees and expenses in the Statement of Operations amounted to $3,985. At October 31, 2006, the Trust had an accrued pension liability of $53,697 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 or she 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

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2006 continued

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 IN THOUSANDS*	RATE*	RESET DATE	RANGE OF DIVIDEND RATES**
1	400	$ 20,000	3.19%	11/06/06	2.30% – 3.75%
2	900	45,000	3.42	11/06/06	2.58 – 4.00
3	1,000	50,000	3.49	11/06/06	2.24 – 3.75
4	400	20,000	3.47	11/06/06	1.48 – 3.66
5	400	20,000	3.43	11/06/06	2.20 – 4.00

* As of October 31, 2006.

** For the year ended October 31, 2006.

Subsequent to October 31, 2006 and up through December 1, 2006 the Trust paid dividends to each of the Series 1 through 5 at rates ranging from 3.19% to 3.62% in the aggregate amount of $410,373.

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, 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
Treasury shares purchased and retired (weighted average discount 7.85%)*	(694,700)	(6,947)	(9,939,744)
Balance, October 31, 2006	21,435,459	$214,354	$310,625,318

* The Trustees have voted to retire the shares purchased.

Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2006 continued

6. Dividends to Common Shareholders

On September 26, 2006, the Trust declared the following dividends from net investment income:

AMOUNT PER SHARE	RECORD DATE	PAYABLE DATE
$0.0575	November 3, 2006	November 17, 2006
$0.0575	December 8, 2006	December 22, 2006

7. Expense Offset

The expense offset represents a reduction of the fees and expenses for interest earned on cash balances maintained by the Trust with the transfer agent and custodian.

8. Purposes of and Risks Relating to Certain Financial Instruments

The Trust may invest a portion of its assets in inverse floating rate instruments, either through outright purchases of inverse floating rate securities or through the transfer of bonds to a dealer trust in exchange for cash and residual interests in the dealer trust. These investments are typically used by the Trust in seeking to enhance the yield of the portfolio. These instruments typically involve greater risks than a fixed rate municipal bond. In particular, these instruments are acquired through leverage or may have leverage embedded in them and therefore involve many of the risks associated with leverage. Leverage is a speculative technique that may expose the Trust to greater risk and increased costs. Leverage may cause the Trust's net asset value to be more volatile than if it had not been leveraged because leverage tends to magnify the effect of any increases or decreases in the value of the Trust's portfolio securities. The use of leverage may also cause the Trust to liquidate portfolio positions when it may not be advantageous to do so in order to satisfy its obligations with respect to inverse floating rate instruments.

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.

The Trust may enter into interest rate swaps and may purchase or sell interest rate caps, floors and collars. The Trust expects to enter into these transactions primarily to manage interest rate risk, hedge portfolio positions and preserve a return or spread on a particular investment or portion of its portfolio. The Trust may also enter into these transactions to protect against any increase in the price of securities the Trust anticipates purchasing at a later date. Interest rate swap transactions are subject to market risk, risk of default by the other party to the transaction, risk of imperfect correlation and manager risk. Such risks may exceed the related amounts shown in the Statement of Assets and Liabilities.

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2006 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, 2006	FOR THE YEAR ENDED OCTOBER 31, 2005
Tax-exempt income	$22,210,053	$21,335,959
Long-term capital gains	1,000,181	—
Total distributions	$23,210,234	$21,335,959

As of October 31, 2006, the tax-basis components of accumulated earnings were as follows:

Undistributed tax-exempt income	$ 1,075,462
Undistributed long-term gains	1,320,567
Net accumulated earnings	2,396,029
Temporary differences	(54,827)
Net unrealized appreciation	25,677,393
Total accumulated earnings	$28,018,595

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2006 continued

As of October 31, 2006, the Trust had temporary book/tax differences primarily attributable to book amortization of discounts on debt securities and mark-to-market of open futures contracts 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 undistributed net realized gain was credited $14.

10. New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109 (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Trust will adopt FIN 48 for the fiscal year ending 2008 and the impact to the Trust's financial statements, if any, is currently being assessed.

In addition, in September 2006, Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Trust's financial statement disclosures**.**

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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,				
	2006	2005	2004	2003	2002
Selected Per Share Data:					
Net asset value, beginning of period	$ 15.50	$ 15.60	$ 15.76	$ 15.67	$ 15.42
Income (loss) from investment operations:					
Net investment income*	0.94	0.94	0.95	1.01	1.04
Net realized and unrealized gain (loss)	0.40	(0.19)	0.17	0.03	0.11
Common share equivalent of dividends paid to preferred shareholders*	(0.22)	(0.13)	(0.12)	(0.10)	(0.13)
Total income from investment operations	1.12	0.62	1.00	0.94	1.02
Less dividends and distributions from:					
Net investment income	(0.80)	(0.81)	(0.92)	(0.90)	(0.82)
Net realized gain	(0.05)	—	(0.29)	—	—
Total dividends and distributions	(0.85)	(0.81)	(1.21)	(0.90)	(0.82)
Anti-dilutive effect of acquiring	0.04	0.09	0.05	0.05	0.05

treasury shares*					
Net asset value, end of period	$ 15.81	$ 15.50	$ 15.60	$ 15.76	$ 15.67
Market value, end of period	$ 14.55	$ 13.86	$ 14.09	$ 14.73	$ 14.05
Total Return†	11.30%	4.19%	3.91%	11.53%	5.35%
Ratios to Average Net Assets of Common Shareholders:					
Total expenses (before expense offset)	0.82% (1)	0.80% (1)	0.82% (1)	0.75% (1)	0.72%
Total expenses (before expense offset, exclusive of interest and residual trust expenses)	0.76% (1)	0.80% (1)	0.82% (1)	0.75% (1)	0.72%
Net investment income before preferred stock dividends	6.08%	6.01%	6.11%	6.38%	6.82%
Preferred stock dividends	1.39%	0.81%	0.76%	0.66%	0.87%
Net investment income available to common shareholders	4.69%	5.20%	5.35%	5.72%	5.95%
Supplemental Data:					
Net assets applicable to common shareholders, end of	$338,858	$342,956	$362,468	$382,145	$396,360

period, in thousands					
Asset coverage on preferred shares at end of period	319%	321%	334%	346%	355%
Portfolio turnover rate	13%	15%	17%	43%	17%

* 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

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, 2006, 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, 2006, 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, 2006, 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
January 12, 2007

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Morgan Stanley Insured Municipal Income Trust

Shareholder Voting Results (unaudited)

On October 25, 2006, 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	# of Shares Withheld	Abstain
Frank L. Bowman	17,414,461	174,854	201,091
Kathleen A. Dennis	17,417,206	172,109	201,091
Edwin J. Garn	17,411,346	177,969	201,091
Michael F. Klein	17,418,231	171,084	201,091
W. Allen Reed	17,413,161	176,154	201,091

Election of Trustees by Preferred Shareholders:

	For	# of Shares Withheld	Abstain
Michael E. Nugent	2,796	—	—

No broker ''non-votes'' were cast in connection with this proposal. Broker ''non-votes'' are shares held in street name for which the broker indicates that instructions have not been received from the beneficial owners or other persons entitled to vote and for which the broker does not have discretionary voting authority.

The following Trustees were not standing for reelection at this meeting: Michael Bozic, Wayne E. Hedien, James F. Higgins, Dr. Manuel H. Johnson, Joseph J. Kearns and Fergus Reid.

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Morgan Stanley Insured Municipal Income Trust

Revised Investment Policy (unaudited)

The Trustees approved the following investment policy:

Interest Rate Transactions. The Trust may enter into interest rate swaps and may purchase or sell interest rate caps, floors and collars. The Trust expects to enter into these transactions primarily to manage interest rate risk, hedge portfolio positions and preserve a return or spread on a particular investment or portion of its portfolio. The Trust may also enter into these transactions to protect against any increase in the price of securities the Trust anticipates purchasing at a later date. The Trust does not intend to use these transactions as speculative investments and will not enter into interest rate swaps or sell interest rate caps or floors where it does not own or have the right to acquire the underlying securities or other instruments providing the income stream the Trust may be obligated to pay. Interest rate swaps involve the exchange by the Trust with another party of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed-rate payments. The purchase of an interest rate cap entitles the purchaser, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a contractually-based principal amount from the party selling the interest rate cap. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a contractually-based principal amount from the party selling the interest rate floor. An interest rate collar combines the elements of purchasing a cap and selling a floor. The collar protects against an interest rate rise above the maximum amount but foregoes the benefit of an interest rate decline below the minimum amount.

The Trust may enter into interest rate swaps, caps, floors and collars on either an asset-based or liability-based basis, and will usually enter into interest rate swaps on a net basis, i.e., the two payment streams are netted out, with the Trust receiving or paying, as the case may be, only the net amount of the two payments. The net amount of the excess, if any, of the Trust’s obligations over its entitlements with respect to each interest rate swap will be accrued on a daily basis and the Trust segregates an amount of cash and/or liquid securities having an aggregate net asset value at least equal to the accrued excess. If the Trust enters into an interest rate swap on other than a net basis, the Trust would segregate the full amount accrued on a daily basis of the Trust’s obligations with respect to the swap. Interest rate transactions do not constitute senior securities under the 1940 Act when the Trust segregates assets to cover the obligations under the transactions. The Trust will enter into interest rate swap, cap or floor transactions only with counterparties approved by the Trust’s Board of Trustees. The Adviser will monitor the creditworthiness of counterparties to the Trust’s interest rate swap, cap, floor and collar transactions on an ongoing basis. If there is a default by the other party to such a transaction, the Trust will have contractual remedies pursuant to the agreements related to the transaction. To the extent the Trust sells (i.e., writes) caps, floors and collars, it will segregate cash and/or liquid securities having an aggregate net asset value at least equal to the full amount, accrued on a daily basis, of the Trust’s net obligations with respect to the caps, floors or collars. The use of interest rate swaps is a highly specialized activity which involves investment techniques and risks different from those

Morgan Stanley Insured Municipal Income Trust

Revised Investment Policy (unaudited) continued

associated with ordinary portfolio securities transactions. If the Adviser is incorrect in its forecasts of the market values, interest rates and other applicable factors, the investment performance of the Trust would diminish compared with what it would have been if these investment techniques were not used. The use of interest rate swaps, caps, collars and floors may also have the effect of shifting the recognition of income between current and future periods.

These transactions do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that the Trust is contractually obligated to make. If the other party to an interest rate swap defaults, the Trust's risk of loss consists of the net amount of interest payments that the Trust contractually is entitled to receive.

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information (unaudited)

Independent Trustees:

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 Independent Trustee**	Other Directorships Held by Independent Trustee
Frank L. Bowman (61) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since August 2006	President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (since February 2005); Director or Trustee of various Retail Funds and Institutional Funds (since August 2006) formerly variously, Admiral in the U.S. Navy, Director of Naval Nuclear Propulsion Program and Deputy Administrator—Naval	163	Director of the National Energy Foundation, the U.S. Energy Association, the American Council for Capital Formation and the Armed Services YMCA of the USA.

			Reactors in the National Nuclear Security Administration at the U.S. Department of Energy (1996-2004). Honorary Knight Commander of the Most Excellent Order of the British Empire.		
Michael Bozic (65) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since April 1994	Private investor; Chairperson of the Valuation, Insurance and Compliance Committee (since October 2006); Director or Trustee of the Retail Funds (since April 1994) and the Institutional Funds (since July 2003); formerly Chairperson of the Insurance Committee (July 2006-September 2006); 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); variously Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1991) of the Sears Merchandise Group of Sears, Roebuck & Co.	173	Director of various business organizations.
Kathleen A. Dennis (53) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since August 2006	President, Cedarwood Associates (mutual fund consulting) (since July 2006); Chairperson of the Money Market and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); formerly,	163	None.

Senior Managing Director of Victory Capital Management (1993-2006).

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information (unaudited) 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 Independent Trustee**	Other Directorships Held by Independent Trustee
Edwin J. Garn (74) 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 (lobbying and consulting firm) (2000-2004); 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).	173	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 (72) c/o Kramer Levin Naftalis &	Trustee	Since September	Retired; Director or Trustee of the Retail Funds; (Since	173	Director of The PMI Group Inc. (private

Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036		1997	September 1997) and the Institutional Funds (since July 2003); formerly associated with the Allstate Companies (1966-1994), 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).		mortgage insurance); Trustee and Vice Chairman of The Field Museum of Natural History; director of various other business and charitable organizations.
Dr. Manuel H. Johnson (57) 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., (consulting firm); Chairperson of the Investment Committee (since October 2006) 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 Chairperson of the Audit Committee (July 1991-September 2006); Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.	173	Director of NVR, Inc. (home construction); Director of KFX Energy; Director of RBS Greenwich Capital Holdings (financial holding company).

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 Independent Trustee**	Other Directorships Held by Independent Trustee
Joseph J. Kearns (64) c/o Kearns & Associates LLC PMB754 23852 Pacific Coast Highway Malibu, CA 90265	Trustee	Since July 2003	President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since August 1994); formerly Deputy Chairperson of the Audit Committee (July 2003- September 2006) and Chairperson of the Audit Committee of the Institutional Funds (October 2001-July 2003); formerly CFO of the J. Paul Getty Trust.	174	Director of Electro Rent Corporation (equipment leasing), The Ford Family Foundation, and the UCLA Foundation.
Michael F. Klein (47) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since August 2006	Chief Operating Officer and Managing Director, Aetos Capital, LLC (since March 2000); Chairman of the Fixed-Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee (since August 2006) of various Retail Funds and Institutional Funds; formerly Managing Director, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management, President, Morgan Stanley Institutional Funds (June 1998-March 2000) and Principal, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter	163	Director of certain investment funds managed or sponsored by Aetos Capital LLC.

			Investment Management (August 1997- December 1999).		
Michael E. Nugent (70) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY 10022	Chairman of the Board and Trustee	Chairman of the Board since July 2006 and Trustee since July 1991	General Partner of Triumph Capital, L.P., a private investment partnership; Chairman of the Boards of the Retail Funds and Institutional Funds (since July 2006) and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2001); formerly Chairperson of the Insurance Committee (until July 2006); Vice President, Bankers Trust Company and BT Capital Corporation (1984-1988).	173	None.

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Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information (unaudited) 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 Independent Trustee**	Other Directorships Held by Independent Trustee
W. Allen Reed (59) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since August 2006	Chairperson of the Equity Sub-Commitee of the Investment Committee (since October 2006) and Director or Trustee (since August 2006) of various Retail Funds and Institutional Funds. President and CEO of	163	Director of GMAC (financial services), GMAC Insurance Holdings and Temple-Inland Industries (Packaging, Banking and forest products); member of the

			General Motors Asset Management; formerly, Chairman and Chief Executive Officer of the GM Trust Bank and Corporate Vice President of General Motors Corporation (August 1994-December 2005).		Board of Executives of the Morgan Stanley Capital International Editorial Board; Director of Legg Mason and Director of various investment fund advisory boards.
Fergus Reid (74) c/o Lumelite Plastics Corporation 85 Charles Colman Blvd. Pawling, NY 12564	Trustee	Since July 2003	Chairman of Lumelite Plastics Corporation; Chairperson of the Governance Committee and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since June 1992).	174	Trustee and Director of certain investment companies in the JPMorgan Funds complex managed by J.P. Morgan Investment Management Inc.

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Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information (unaudited) continued

Interested Trustee:

Name, Age and Address of Interested 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 Interested Trustee**	Other Directorships Held by Interested Trustee
James F. Higgins (58) 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).	173	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'') or the funds advised by Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP (the ''Institutional Funds'').

**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.) as of October 31, 2006.

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Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information (unaudited) continued

Executive 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 (67) 1221 Avenue of the Americas New York, NY 10020	President and Principal Executive Officer	President since September 2005 and Principal Executive Officer since May 2003	President (since September 2005) and Principal Executive Officer (since May 2003) of funds in the Fund Complex; President (since September 2005) and Principal Executive Officer (since May 2003) of the Van Kampen Funds; Managing Director, Director and/or Officer of the Investment Adviser and various entities affiliated with the Investment Adviser; Director of Morgan Stanley SICAV (since May 2004). Formerly, Executive Vice President (July 2003 to September 2005) of funds in the Fund Complex and the Van Kampen Funds; President and Director of the Institutional Funds (March 2001 to July 2003); Chief Administrative Officer of the Investment Adivser; Chief Administrative Officer of Morgan Stanley Services Company Inc.
J. David Germany (52) Morgan Stanley Investment Management Ltd. 25 Cabot Square Canary Wharf, London United Kingdom E144QA	Vice President	Since February 2006	Managing Director and (since December 2005) Chief Investment Officer – Global Fixed Income of Morgan Stanley Investment Management; Managing Director and Director of Morgan Stanley Investment Management Limited; Vice President of the Retail and Institutional Funds (since February 2006).
Dennis F. Shea (53)	Vice President	Since	Managing Director and (since February 2006) Chief

1221 Avenue of the Americas New York, NY 10020		February 2006	Investment Officer – Global Equity of Morgan Stanley Investment Management; Vice President of the Retail and Institutional Funds (since February 2006). Formerly, Managing Director and Director of Global Equity Research at Morgan Stanley.
Barry Fink (51) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since February 1997	Managing Director of Morgan Stanley Investment Management; Managing Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Vice President of the Retail Funds and (since July 2003) the Institutional Funds. Formerly, Secretary, General Counsel and/or Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Secretary and General Counsel of the Retail Funds.
Amy R. Doberman (44) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since July 2004	Managing Director and General Counsel, U.S. Investment Management of Morgan Stanley Investment Management (since July 2004); Vice President of the Retail Funds and the Institutional Funds (since July 2004); Vice President of the Van Kampen Funds (since August 2004); Secretary (since February 2006) and Managing Director (since July 2004) of the Investment Adviser and various entities affiliated with the Investment Adviser. Formerly, Managing Director and General Counsel – Americas, UBS Global Asset Management (July 2000 to July 2004).
Carsten Otto (42) 1221 Avenue of the Americas New York, NY 10020	Chief Compliance Officer	Since October 2004	Managing Director and U.S. Director of Compliance for Morgan Stanley Investment Management (since October 2004); Managing Director and Chief Compliance Officer of Morgan Stanley Investment Management. Formerly, Assistant Secretary and Assistant General Counsel of the Retail Funds.
Stefanie V. Chang Yu (39) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since December 1997	Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Vice President of the Retail Funds (since July 2002) and the Institutional Funds (since December 1997). Formerly, Secretary of various entities affiliated with the Investment Adviser.

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Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information (unaudited) continued

Principal Occupation(s) During Past 5 Years

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	
Francis J. Smith (41) 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 September 2002	Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Treasurer and Chief Financial Officer of the Retail Funds (since July 2003). Formerly, Vice President of the Retail Funds (September 2002 to July 2003).
Mary E. Mullin (39) 1221 Avenue of the Americas New York, NY 10020	Secretary	Since June 1999	Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Secretary of the Retail Funds (since July 2003) and the Institutional Funds (since June 1999).

*This is the earliest date the Officer began serving the Retail Funds or the Institutional Funds.

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 November 14, 2006.

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 Trust's N-CSR and are available on the Securities and Exchange Commission's Web site at http://www.sec.gov.

2006 Federal Tax Notice (unaudited)

During the fiscal year ended October 31, 2006, the Trust paid the following per share amounts from tax-exempt income: $0.81 to common shareholders, $1,567 to Series 1 preferred shareholders, $1,599 to Series 2 preferred shareholders, $1,379 to Series 3 preferred shareholders, $1,494 to Series 4 preferred shareholders, and $1,568 to Series 5 preferred shareholders.

For the year ended October 31, 2006, the Trust paid the following per share amounts from long-term capital gains: $0.04 to common shareholders, $51 to Series 1 preferred shareholders, $42 to Series 2 preferred shareholders, $50 to Series 3 preferred shareholders, $33 to Series 4 preferred shareholders, and $45 to Series 5 preferred shareholders.

MORGAN STANLEY FUNDS

Morgan Stanley
Insured Municipal Income Trust

Annual Report
October 31, 2006

Officers

Michael E. Nugent
Chairman of the Board

Ronald E. Robison
President and *Principal Executive Officer*

J. David Germany
Vice President

Dennis F. Shea
Vice President

Barry Fink
Vice President

Amy R. Doberman
Vice President

Carsten Otto
Chief Compliance Officer

Stefanie V. Chang Yu
Vice President

Francis J. Smith
Treasurer and *Chief Financial Officer*

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.

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