

MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST
Form N-CSR
December 30, 2004

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, 2004

Market Conditions

The U.S. economy continued to expand during the Trust's fiscal year ended October 31, 2004. However, through the spring and summer the economy hit what Federal Reserve Board Chairman Alan Greenspan described as a "soft patch." Oil prices almost doubled, reaching record highs, and employment growth weakened. As a result, real gross domestic product growth that had averaged 4.3 percent in the first half of the fiscal period slowed to 3.5 percent in the second.

Throughout most of the year, the Federal Reserve Open Market Committee (the "Fed") maintained its short-term borrowing rate (the federal funds rate) at an historic low. By April the market had begun to anticipate that the Fed would begin to increase short-term interest rates in response to higher commodity prices and reduced concern about the risk of deflation. In a series of three measured moves between June and the end of October, the Fed did increase

the federal funds rate, from 1.00 to 1.75 percent.

Rising inflation fears led to rising bond yields from April to June. The market reversed course in July, however, with yields falling from July through October as investors became concerned with slower growth. Rising and falling yields tended to offset each other over the entire period, and long-term municipal bond yields at the end of October had changed little from where they had begun the fiscal year. Higher short-term interest rates reduced the yield pickup for extending to longer maturities, and the yield curve flattened.


The supply of new-issue municipal bonds declined by 8 percent in the first 10 months of 2004. California remained the largest issuer, accounting for 16 percent of total underwriting volume. New York was second, and accounted for 9 percent of total underwriting volume. The ratio of municipal yields to Treasury yields, which serves as a gauge of relative performance, indicated that municipals generally remained attractive relative to Treasuries during the period. As a result, taxable investors such as insurance companies and hedge funds that normally focus on other sectors of the bond market supported municipal bond prices by "crossing over" to purchase municipal bonds.

Performance Analysis

The net asset value (NAV) of Morgan Stanley Insured Municipal Income Trust (IIM) moved from \$15.76 to \$15.60 per share. IIM declared tax-free dividends totaling \$0.92 per share and long-term capital gains of \$0.287107 per share. The Trust's total NAV return was 7.46 percent. IIM's value on the New York Stock Exchange (NYSE) decreased from \$14.73 to \$14.09 per share during the same period. Based on this change plus reinvestment of dividends and distributions, IIM's total market return was 3.91 percent. IIM's share price was trading at a 9.68 percent discount to its NAV on October 31, 2004. *Past performance is no guarantee of future results.*

Monthly dividends for the fourth quarter of 2004 declared in September were decreased from \$0.0775 to \$0.0675 per share to reflect the Trust's current and

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projected earnings level. The Trust's level of undistributed net investment income was \$0.108 per share on October 31, 2004, versus \$0.194 per share 12 months earlier.


One of our key strategies in managing the Trust was to keep its overall interest-rate sensitivity lower than that of its benchmark index. This defensive strategy helped performance early in the period when rates rose but had the net effect of hampering total returns over the whole period by limiting the Trust's participation in the rally later in the period. The Trust's duration,* adjusted for leverage, was 10.1 years. The Trust's net assets, including preferred shares, of \$517 million were diversified across 78 credits in 11 long-term 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.

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 30 percent of net assets, including preferred shares. All series are currently in two-year auction modes with maturities ranging from January 2005 to July 2006. The yields ranged from 1.20 to 2.24 percent.

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. During the 12-month period ended October 31, 2004, the Trust purchased and retired 1,001,300 shares of common stock at a weighted average market discount of 8.33 percent.

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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 securities mentioned will continue to perform well or be held by the Trust in the future.

* 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.

| LARGEST SECTORS | |
|--------------------|-------|
| Transportation | 29.9% |
| Water & Sewer | 25.7 |
| Electric | 19.7 |
| General Obligation | 16.8 |
| Public Facilities | 9.2 |

| CREDIT ENHANCEMENTS | |
|---------------------|-------|
| MBIA | 30.8% |
| Ambac | 27.3 |
| FGIC | 23.1 |
| FSA | 18.0 |
| XLCA | 0.8 |

Data as of October 31, 2004. 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.

Results of Annual Shareholder Meeting

On October 26, 2004, an annual meeting of the Trust's shareholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Trustees:

| | |
|------------------|------------|
| Michael Bozic | |
| For: | 18,640,576 |
| Withheld: | 764,931 |
| James F. Higgins | |
| For: | 18,649,474 |
| Withheld: | 756,033 |

Election of Trustee by preferred shareholders:

| | |
|------------------------|-------|
| Charles A. Fiumefreddo | |
| For: | 2,397 |

Withheld: 0

The following Trustees were not standing for reelection at this meeting: Edwin J. Garn, Wayne E. Hedien, Manuel H. Johnson, Joseph J. Kearns, Michael E. Nugent and Fergus Reid.

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Distribution by Maturity
(% of Long-Term Portfolio) As of October 31, 2004

Weighted Average Maturity: 19 Years

Portfolio structure is subject to change.

Geographic Summary of Investments

Based on Market Value as a Percent of Total Investments

| | |
|----------------------|------|
| Arizona | 2.1% |
| California | 14.5 |
| Colorado | 1.5 |
| District of Columbia | 3.0 |
| Florida | 6.4 |
| Georgia | 2.1 |
| Hawaii | 1.1 |
| Illinois | 7.1 |
| Indiana | 2.9% |
| Kentucky | 0.8 |
| Louisiana | 0.9 |
| Massachusetts | 3.4 |
| Michigan | 2.8 |
| Minnesota | 1.0 |
| Missouri | 1.0 |
| Nebraska | 1.0 |
| Nevada | 4.5% |
| New Hampshire | 0.8 |
| New Jersey | 2.6 |
| New York | 9.5 |
| North Carolina | 1.3 |
| Ohio | 0.2 |

| | |
|-------------------|--------|
| Pennsylvania | 4.6 |
| Puerto Rico | 0.9 |
| Rhode Island | 2.0% |
| South Carolina | 3.2 |
| Texas | 13.8 |
| Utah | 1.0 |
| Virginia | 1.3 |
| Washington | 3.3 |
| West Virginia | 0.6 |
| Joint exemptions* | (1.2) |
| 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 \$158,003,125 with unrealized depreciation of \$2,065,739.

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Call and Cost (Book) Yield Structure
(Based on Long-Term Portfolio) As of October 31, 2004

Years Bonds Callable — Weighted Average Call Protection: 7 Years

Cost (Book) Yield^(b) — Weighted Average Book Yield: 5.1%

(a) Includes 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 8% of the long-term portfolio that is callable in 2004.

Portfolio structure is subject to change.

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2004

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| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|--|----------------|------------------|--------------|
| | Tax-Exempt Municipal Bonds (139.6%) | | | |
| | General Obligation (16.8%) | | | |
| \$ 3,000 | Los Angeles, California, Ser 2004 A (MBIA) District of Columbia, | 5.00% | 09/01/24 | \$ 3,173,040 |
| 5,000 | Refg Ser 1993 B (Ambac) | 5.50 | 06/01/09 | 5,598,250 |
| 6,000 | Refg Ser 1993 B (FSA) | 5.50 | 06/01/10 | 6,786,840 |
| 8,000 | Florida State Board of Education, Capital Outlay Refg 2002 Ser C (MBIA) | 5.00 | 06/01/19 | 8,631,040 |
| | Aurora West School District 129, Illinois, | | | |
| 1,000 | Ser 2002 A (FGIC) | 5.75 | 02/01/20 | 1,145,080 |
| 2,000 | Ser 2002 A (FGIC) | 5.75 | 02/01/21 | 2,290,160 |
| 15,000 | Chicago, Illinois, Neighborhoods Alive 21 Ser 2001 A (FGIC) | 5.50 | 01/01/36 | 16,319,850 |
| 7,000 | Massachusetts, Refg 2003 Ser D (Ambac) Pennsylvania, | 5.50 | 10/01/19 | 8,227,310 |
| 1,495 | First Ser 2003 RITES PA – 1112 A (MBIA) | 7.67‡ | 01/01/18 | 1,743,783 |
| 2,055 | First Ser 2003 RITES PA – 1112 B (MBIA) | 7.67‡ | 01/01/19 | 2,376,032 |
| 4,000 | Houston, Texas, Public Impr & Refg Ser 2001 B (FSA) | 5.50 | 03/01/17 | 4,458,280 |
| 54,550 | | | | 60,749,665 |
| | Educational Facilities Revenue (6.6%) | | | |
| 2,500 | University of Arizona COPs 2003 Ser B (Ambac) | 5.00 | 06/01/23 | 2,627,225 |
| 4,000 | University of California, Ser 2003 B (Ambac) | 5.00 | 05/15/22 | 4,249,800 |
| 3,000 | District of Columbia, American Association for the Advancement of Science Ser 1997 (Ambac) | 5.125 | 01/01/27 | 3,080,880 |
| 4,000 | Illinois Educational Facilities Authority, DePaul University Refg Ser 1997 (Ambac) | 5.50 | 10/01/19 | 4,419,440 |
| 4,000 | New Hampshire Health & Education Facilities Authority, University of New Hampshire Ser 2001 (Ambac) | 5.125 | 07/01/33 | 4,149,400 |
| 5,000 | New Jersey Educational Facilities Authority, Higher Education Capital Impr Ser 2002 A (Ambac)†† | 5.25 | 09/01/21 | 5,470,950 |
| 22,500 | | | | 23,997,695 |
| | Electric Revenue (19.7%) | | | |
| 10,000 | California Department of Water Resources, Power Supply Ser 2002 A (Ambac) | 5.375 | 05/01/18 | 11,092,000 |
| 4,000 | Lafayette, Louisiana, Utilities Ser 2004 (MBIA) | 5.25 | 11/01/25 | 4,321,560 |
| 5,000 | Nebraska Public Power District, 2003 Ser A (Ambac) | 5.00 | 01/01/35 | 5,130,950 |
| 3,000 | Long Island Power Authority, New York, Refg Ser 2003 C (FSA) | 5.00 | 09/01/28 | 3,100,470 |

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2004 continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|---|----------------|------------------|--------------|
| \$ 6,000 | North Carolina Municipal Power Agency #1, Catawba Ser 2003 A (MBIA) | 5.25% | 01/01/19 | \$ 6,550,860 |
| 10,000 | South Carolina Public Service Authority, Ser 2003 A (Ambac) | 5.00 | 01/01/27 | 10,366,000 |
| 10,000 | Lower Colorado River Authority, Texas, Refg Ser 1999 A (FSA) | 5.875 | 05/15/16 | 11,343,400 |
| 5,000 | Refg Ser 2001 (FSA) | 5.00 | 05/15/26 | 5,133,150 |
| 8,800 | Refg Ser 2002 (MBIA) | 5.00 | 05/15/31 | 9,005,568 |
| 5,000 | Intermountain Power Agency, Utah, 2003 Ser A (FSA) | 5.00 | 07/01/21 | 5,312,200 |
| 66,800 | | | | 71,356,158 |
| | <i>Hospital Revenue (6.2%)</i> | | | |
| 5,000 | Mesa Industrial Development Authority, Arizona, Discovery Health Ser 1999 A (MBIA) | 5.875 | 01/01/16 | 5,663,050 |
| 5,500 | Massachusetts Health & Educational Facilities Authority, Lahey Clinic Medical Center Ser B (MBIA) | 5.625 | 07/01/15 | 5,570,840 |
| 2,000 | Missouri Health & Educational Facilities Authority, SSM Health Care Ser 1998 A (MBIA) | 5.00 | 06/01/22 | 2,065,560 |
| | Amarillo Health Facilities Corporation, Texas, | | | |
| 3,020 | Baptist St Anthony's Hospital Ser 1998 (FSA) | 5.50 | 01/01/16 | 3,434,978 |
| 5,075 | Baptist St Anthony's Hospital Ser 1998 (FSA) | 5.50 | 01/01/17 | 5,779,004 |
| 20,595 | | | | 22,513,432 |
| | <i>Industrial Development/Pollution Control Revenue (7.8%)</i> | | | |
| 7,500 | Adams County, Colorado, Public Service Co of Colorado Refg 1993 Ser A (MBIA) | 5.875 | 04/01/14 | 7,524,450 |
| 5,000 | Hawaii Department of Budget and Finance, Hawaiian Electric Co Ser 1999 C (AMT) (Ambac) | 6.20 | 11/01/29 | 5,663,600 |
| 12,000 | Indiana Development Finance Authority, PSI Energy Inc Ser 1993 B (AMT) (MBIA) | 5.75 | 02/15/28 | 12,096,720 |
| 3,000 | New York State Energy Research & Development Authority, Brooklyn Union Gas Co 1991 Ser D (AMT) (MBIA) | 9.313‡ | 07/08/26 | 3,079,980 |
| 27,500 | | | | 28,364,750 |
| | <i>Public Facilities Revenue (9.2%)</i> | | | |
| 1,000 | Phoenix Industrial Development Authority, Arizona, Capital Mall LLC Ser 2000 (Ambac) | 5.375 | 09/15/22 | 1,106,460 |
| 15,000 | Miami-Dade County School Board, Florida, 2003 Ser A (FGIC) | 5.00 | 08/01/29 | 15,432,750 |
| 3,000 | Orange County School Board, Florida, Ser 2001 A COPs (Ambac) | 5.25 | 08/01/14 | 3,376,440 |
| 4,000 | | 5.00 | 10/01/22 | 4,255,840 |

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Kentucky Property & Building Commission, Project # 79
(MBIA)

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2004 continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|--|----------------|------------------|--------------|
| \$ 4,200 | New York State Dormitory Authority, School Districts 2002 Ser E (MBIA) | 5.50% | 10/01/17 | \$ 4,792,284 |
| 4,000 | Puerto Rico Public Buildings Authority, Refg Ser J (Ambac) (Mandatory Tender 07/01/12) | 5.00 | 07/01/36 | 4,424,560 |
| 31,200 | | | | 33,388,334 |
| | Recreational Facilities Revenue (3.1%) | | | |
| 3,000 | Metropolitan Pier & Exposition Authority, Illinois, McCormick Place Refg Ser 2002 B (MBIA) | 0.00# | 06/15/18 | 2,284,860 |
| 5,000 | McCormick Place Ser 2002 A (MBIA) | 5.25 | 06/15/42 | 5,223,600 |
| 2,400 | Marion County Convention & Recreational Facilities Authority, Indiana, Refg Ser 2003 A (Ambac) | 5.00 | 06/01/19 | 2,564,832 |
| 1,000 | Casino Reinvestment Development Authority, New Jersey, Ser 2004 (Ambac) | 5.25 | 01/01/22 | 1,104,070 |
| 11,400 | | | | 11,177,362 |
| | Transportation Facilities Revenue (29.9%) | | | |
| 1,000 | Phoenix Civic Improvement Corporation, Arizona, Sr Lien Airport Ser 2002 B (AMT) (FGIC) | 5.75 | 07/01/19 | 1,117,730 |
| 5,000 | California Infrastructure & Economic Development Bank, Bay Area Toll Bridges Seismic Retrofit 1st Lien Ser 2003 A (FGIC) | 5.00 | 07/01/29 | 5,161,250 |
| 10,000 | Bay Area Toll Bridges Seismic Retrofit 1st Lien Ser 2003 A (Ambac) | 5.00 | 07/01/33 | 10,279,200 |
| 9,000 | Long Beach California, Harbor Refg Ser 1998 A (AMT) (FGIC) | 6.00 | 05/15/18 | 10,644,840 |
| 5,000 | Atlanta, Georgia, Airport Passenger Facilities SubLien Ser C 2004 (FSA) | 5.00 | 01/01/33 | 5,160,350 |

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| | | | | |
|--------|--|-------|----------|------------|
| 4,000 | Illinois Toll Highway Authority, Priority Refg 1998 Ser A (FSA) | 5.50 | 01/01/15 | 4,633,120 |
| 5,000 | Minneapolis-St Paul Metropolitan Airports Commission, Minnesota, Ser 2001 C (FGIC) | 5.25 | 01/01/32 | 5,274,200 |
| 3,000 | St Louis, Missouri, Lambert Int'l Airport Ser 2001 A (MBIA) | 5.00 | 07/01/20 | 3,164,100 |
| 9,000 | Nevada Department of Business & Industry, Las Vegas Monorail 1st Tier Ser 2000 (Ambac) | 5.375 | 01/01/40 | 9,336,060 |
| 2,000 | Delaware River Port Authority, Pennsylvania & New Jersey, Ser 1995 (FGIC)** | 5.50 | 01/01/26 | 2,106,700 |
| 3,000 | Metropolitan Transportation Authority, New York, Dedicated Tax Fund Ser 2002 A (FSA) | 5.25 | 11/15/24 | 3,214,140 |
| 10,000 | Transportation Refg Ser 2002 A (FGIC) | 5.00 | 11/15/25 | 10,440,500 |
| 4,000 | Port Authority of New York & New Jersey, Cons 135 Ser (MBIA)** | 5.00 | 09/15/29 | 4,149,280 |

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2004 continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|--|----------------|------------------|---------------|
| \$ 10,000 | Triborough Bridge & Tunnel Authority, New York, Refg 2002 E (MBIA) | 5.25% | 11/15/22 | \$ 10,827,400 |
| 9,000 | Dallas-Fort Worth International Airport, Texas, Ser 2003 A (AMT) (FSA) | 5.375 | 11/01/22 | 9,608,040 |
| 4,000 | Texas Turnpike Authority, Central Texas First Tier Ser 2002 A (Ambac) | 5.50 | 08/15/39 | 4,323,560 |
| 3,000 | Richmond Metropolitan Authority, Virginia, Refg Ser 2002 (FGIC) | 5.25 | 07/15/22 | 3,429,150 |
| 5,000 | Port of Seattle, Washington, Ser 2001 B (AMT) (MBIA) | 5.625 | 02/01/24 | 5,428,700 |
| 101,000 | | | | 108,298,320 |
| | <i>Water & Sewer Revenue (25.7%)</i> | | | |
| 5,000 | Los Angeles Department of Water & Power, California, Water 2004 Ser C (MBIA) | 5.00 | 07/01/24 | 5,284,400 |
| 4,000 | | 5.00 | 06/01/28 | 4,111,840 |

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| | | | | |
|--------|--|-------|----------|------------|
| | Oxnard Financing Authority, California, Water Ser 2004 (XLCA) | | | |
| | San Diego County Water Authority, California, | | | |
| 5,000 | Ser 2002 A COPs (MBIA) | 5.00 | 05/01/27 | 5,162,550 |
| 5,000 | Ser 2004 A COPs (FSA) | 5.00 | 05/01/29 | 5,179,900 |
| 5,000 | Tampa Bay Water Authority, Florida, Ser 2001 A (FGIC) | 5.00 | 10/01/28 | 5,125,600 |
| 5,000 | Atlanta, Georgia, Water & Wastewater, Ser 2004 (FSA) | 5.00 | 11/01/23 | 5,313,500 |
| | Detroit, Michigan, | | | |
| 3,000 | Sewage Refg Ser 2003 A (FSA) | 5.00 | 07/01/26 | 3,111,990 |
| 8,000 | Sewage Refg Ser 2003 A (FSA) | 5.00 | 07/01/28 | 8,250,480 |
| 3,000 | Sewage Disposal Ser 2001 A (FGIC) | 5.125 | 07/01/31 | 3,096,030 |
| 5,080 | Las Vegas Water District, Nevada, Impr & Refg Ser 2003 A (FGIC) | 5.25 | 06/01/19 | 5,606,136 |
| 1,090 | Cleveland, Ohio, Waterworks Impr & Refg 1998 Ser I (FSA) | 5.00 | 01/01/23 | 1,143,901 |
| 5,000 | Allegheny County Sanitary Authority, Pennsylvania, Sewer Ser 2000 (MBIA) | 5.50 | 12/01/24 | 5,535,700 |
| 5,000 | Philadelphia, Pennsylvania, Water & Wastewater Ser 1998 (Ambac) | 5.25 | 12/15/14 | 5,729,050 |
| 15,000 | Houston, Texas, Combined Utility Refg 2004 Ser A (FGIC) | 5.25 | 05/15/23 | 16,221,600 |
| 5,000 | King County, Washington, Sewer Refg 2001 (FGIC) | 5.00 | 01/01/31 | 5,100,800 |
| | Seattle, Washington, | | | |
| 2,890 | Water Refg 2003 (MBIA) | 5.00 | 09/01/20 | 3,086,607 |
| 2,870 | Water Refg 2003 (MBIA) | 5.00 | 09/01/23 | 3,010,888 |
| 2,900 | West Virginia Water Development Authority, Refg Ser B (Ambac) | 5.25 | 11/01/23 | 3,161,116 |
| 87,830 | | | | 93,232,088 |

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2004 continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|--|----------------|------------------|--------------|
| | Other Revenue (5.5%) | | | |
| \$ 7,000 | California, Economic Recovery, Ser 2004 A (MBIA) | 5.00% | 07/01/15 | \$ 7,803,250 |

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| | | | | |
|-----------|---|--------|-----------|----------------|
| | New York City Transitional Finance Authority, New York, | | | |
| 3,575 | 2004 Ser C (MBIA) | 5.00 | 02/01/20 | 3,862,001 |
| 2,000 | 2000 Ser C (Ambac) | 5.25 | 08/01/21 | 2,170,020 |
| 2,500 | 2000 Ser C (Ambac) | 5.25 | 08/01/22 | 2,700,400 |
| 3,000 | Alexandria Industrial Development Authority, Virginia, Institute for Defense Analysis Ser 2000 A (Ambac) | 5.90 | 10/01/30 | 3,418,860 |
| 18,075 | | | | 19,954,531 |
| | Refunded (9.1%) | | | |
| 3,275 | Massachusetts Municipal Wholesale Electric Company, 1993 Ser A (Ambac) (ETM) | 5.00 | 07/01/10 | 3,552,065 |
| 8,000 | Washoe County, Nevada, Reno – Sparks Convention Ltd Tax Ser 1993 A (FGIC) (ETM) | 5.75 | 07/01/22 | 8,202,880 |
| 5,000 | Allegheny County Hospital Development Authority, Pennsylvania, Pittsburgh Mercy Health Ser 1996 (Ambac) (ETM) | 5.625 | 08/15/18 | 5,356,350 |
| 10,000 | Rhode Island Depositors Economic Protection Corporation, Refg 1992 Ser B (MBIA) (ETM) | 6.00 | 08/01/17 | 10,268,500 |
| 5,000 | South Carolina Transportation Infrastructure Bank, Ser 1999 A (Ambac) | 5.50 | 10/01/09† | 5,698,600 |
| 31,275 | | | | 33,078,395 |
| 472,725 | Total Tax-Exempt Municipal Bonds (<i>Cost \$477,748,704</i>) | | | 506,110,730 |
| | Short-Term Tax-Exempt Municipal Obligations (1.0%) | | | |
| 1,600 | Redding, California, Electric Ser 1993 A COPs (FGIC) | 9.613‡ | 06/01/05† | 1,641,888 |
| 800 | Philadelphia Industrial Development Authority, Pennsylvania, The Fox Chase Cancer Center Ser 1997 (Demand 11/01/04) | 1.74* | 07/01/25 | 800,000 |
| 1,100 | Harris County Health Facilities Development Corporation, Texas, Methodist Hospital Ser 2002 (Demand 11/01/04) | 1.74* | 12/01/32 | 1,100,000 |
| 3,500 | Total Short-Term Tax-Exempt Municipal Obligations (<i>Cost \$3,500,000</i>) | | | 3,541,888 |
| \$476,225 | Total Investments (<i>Cost \$481,248,704</i>) (a) (b) | | 140.6% | 509,652,618 |
| | Other Assets in Excess of Liabilities | | 2.2 | 8,029,740 |
| | Preferred Shares of Beneficial Interest | | (42.8) | (155,214,014) |
| | Net Assets Applicable to Common Shareholders | | 100.0% | \$ 362,468,344 |

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2004 continued

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

AMT

Alternative Minimum Tax.

Statement of Assets and Liabilities

October 31, 2004

Assets:

| | |
|---|----------------|
| Investments in securities, at value (cost \$481,248,704) | \$ 509,652,618 |
| Cash | 60,424 |
| Interest receivable | 8,088,753 |
| Prepaid expenses and other assets | 849,315 |
| Total Assets | 518,651,110 |

Liabilities:

Payable for:

| | |
|--|---------|
| Variation margin | 454,688 |
| Common shares of beneficial interest repurchased | 205,597 |
| Investment management fee | 184,232 |
| Accrued expenses and other payables | 124,235 |
| Total Liabilities | 968,752 |

| | |
|---|----------------|
| 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> | 155,214,014 |
| Net Assets Applicable to Common Shareholders | \$ 362,468,344 |

Composition of Net Assets Applicable to Common Shareholders:

| | |
|---|----------------|
| Common shares of beneficial interest <i>(unlimited shares authorized of \$.01 par value, 23,238,838 shares outstanding)</i> | \$ 336,265,757 |
| Net unrealized appreciation | 26,338,175 |
| Accumulated undistributed net investment income | 2,513,100 |
| Accumulated net realized loss | (2,648,688) |
| Net Assets Applicable to Common Shareholders | \$ 362,468,344 |
| Net Asset Value Per Common Share, <i>(\$362,468,344 divided by 23,238,838 common shares outstanding)</i> | \$ 15.60 |

See Notes to Financial Statements

13

Morgan Stanley Insured Municipal Income Trust

Financial Statements continued

Statement of Operations

For the year ended October 31, 2004

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| | |
|--|--------------|
| Net Investment Income: | |
| Interest Income | \$25,609,991 |
| Expenses | |
| Investment management fee | 1,846,237 |
| Auction commission fees | 776,059 |
| Transfer agent fees and expenses | 163,936 |
| Professional fees | 54,500 |
| Shareholder reports and notices | 42,420 |
| Auction agent fees | 32,200 |
| Custodian fees | 27,440 |
| Registration fees | 16,216 |
| Trustees' fees and expenses | 13,205 |
| Other | 65,192 |
| Total Expenses | 3,037,405 |
| Less: expense offset | (27,165) |
| Net Expenses | 3,010,240 |
| Net Investment Income | 22,599,751 |
| Net Realized and Unrealized Gain (Loss): | |
| Net Realized Gain (Loss) on: | |
| Investments | 3,561,645 |
| Futures contracts | (9,050,833) |
| Net Realized Loss | (5,489,188) |
| Net Change in Unrealized Appreciation/Depreciation on: | |
| Investments | 8,278,634 |
| Futures contracts | 772,437 |
| Net Appreciation | 9,051,071 |
| Net Gain | 3,561,883 |
| Dividends to preferred shareholders from net investment income | (2,823,792) |
| Net Increase | \$23,337,842 |

See Notes to Financial Statements

14

Morgan Stanley Insured Municipal Income Trust

Financial Statements continued

Statement of Changes in Net Assets

| | |
|--------------|--------------|
| FOR THE YEAR | FOR THE YEAR |
| ENDED | ENDED |
| OCTOBER 31, | OCTOBER 31, |
| 2004 | 2003 |

Increase (Decrease) in Net Assets:

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| | | |
|---|---------------|---------------|
| Operations: | | |
| Net investment income | \$ 22,599,751 | \$ 25,005,653 |
| Net realized gain (loss) | (5,489,188) | 10,225,785 |
| Net change in unrealized appreciation/depreciation | 9,051,071 | (9,235,006) |
| Dividends to preferred shareholders from net investment income | (2,823,792) | (2,573,199) |
| Net Increase | 23,337,842 | 23,423,233 |
| Dividends and Distributions to Common Shareholders from: | | |
| Net investment income | (21,955,427) | (22,402,100) |
| Net realized gain | (6,940,823) | — |
| Total Dividends and Distributions | (28,896,250) | (22,402,100) |
| Decrease from transactions in common shares of beneficial interest | (14,118,667) | (15,235,304) |
| Net Decrease | (19,677,075) | (14,214,171) |
| Net Assets Applicable to Common Shareholders: | | |
| Beginning of period | 382,145,419 | 396,359,590 |
| End of Period | | |
| <i>(Including accumulated undistributed net investment income of \$2,513,100 and \$4,694,906, respectively)</i> | \$362,468,344 | \$382,145,419 |

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2004

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.

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2004 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 Management Agreement

Pursuant to an Investment Management Agreement with Morgan Stanley Investment Advisors Inc. (the "Investment Manager"), the Trust pays the Investment Manager a management fee, calculated weekly and payable monthly, by applying the annual rate of 0.35% 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, 2004, aggregated \$87,592,822 and \$114,212,146, respectively. Included in the aforementioned are purchases of \$6,422,980 with other Morgan Stanley funds.

Morgan Stanley Trust, an affiliate of the Investment Manager, is the Trust's transfer agent. At October 31, 2004, the Trust had transfer agent fees and expenses payable of approximately \$18,800.

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. Aggregate pension costs for the year ended October 31, 2004, included in Trustees' fees and expenses in the Statement of Operations amounted to \$6,200. At October 31, 2004, the Trust had an accrued pension liability of \$51,514 which is included in accrued expenses in the Statement of Assets and Liabilities. On December 2, 2003, 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.

Effective April 1, 2004, the Trust began 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

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2004 continued

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 IN THOUSANDS* | RATE* | RESET DATE | RANGE OF DIVIDEND RATES** |
|--------|---------|-------------------------|-------|---------------|------------------------------------|
| 1 | 400 | \$ 20,000 | 1.36% | 01/10/05 | 1.36% |
| 2 | 900 | 45,000 | 1.20 | 07/11/05 | 1.20 |
| 3 | 1,000 | 50,000 | 2.24 | 07/10/06 | 2.20 – 2.24 |

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| | | | | | |
|---|-----|--------|------|----------|-------------|
| 4 | 400 | 20,000 | 1.48 | 01/09/06 | 1.48 – 2.47 |
| 5 | 400 | 20,000 | 1.70 | 09/12/05 | 1.70 |

* As of October 31, 2004.

** For the year ended October 31, 2004.

Subsequent to October 31, 2004 and up through December 3, 2004, the Trust paid dividends to each of the Series 1 through 5 at rates ranging from 1.20% to 2.24% in the aggregate amount of \$428,028.

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.

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2004 continued

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, 2002 | 25,287,513 | \$252,875 | \$365,366,853 |
| Treasury shares purchased and retired (weighted average discount 7.90%)* | (1,047,375) | (10,474) | (15,224,830) |
| 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 |

* The Trustees have voted to retire the shares purchased.

6. Dividends to Common Shareholders

On September 28, 2004, the Trust declared the following dividends from net investment income:

| AMOUNT PER SHARE | RECORD DATE | PAYABLE DATE |
|---------------------|-------------------|-------------------|
| \$0.0675 | November 5, 2004 | November 19, 2004 |
| \$0.0675 | December 10, 2004 | December 23, 2004 |

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.

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Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements October 31, 2004 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, 2004 | FOR THE YEAR ENDED OCTOBER 31, 2003 |
|---|---|
|---|---|

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| | | |
|-------------------------|--------------|--------------|
| Tax-exempt income | \$24,793,993 | \$24,879,299 |
| Long-term capital gains | 6,940,823 | — |
| Total distributions | \$31,734,816 | \$24,879,299 |

As of October 31, 2004, the tax-basis components of accumulated earnings were as follows:

| | |
|---------------------------------|--------------|
| Undistributed tax-exempt income | \$ 2,721,112 |
| Undistributed long-term gains | — |

| | |
|-----------------------------|--------------|
| Net accumulated earnings | 2,721,112 |
| Capital loss carryforward* | (4,714,427) |
| Temporary differences | (265,756) |
| Net unrealized appreciation | 28,461,658 |
| Total accumulated earnings | \$26,202,587 |

*As of October 31, 2004, the Trust had a net capital loss carryforward of \$4,714,427 which will expire on October 31, 2012 to offset future capital gains to the extent provided by regulations.

As of October 31, 2004, 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 primarily 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 \$2,338.

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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:

| | 2004 | FOR THE YEAR ENDED OCTOBER 31, | | | 2000 |
|---|----------|--------------------------------|----------|----------|----------|
| | | 2003 | 2002 | 2001 | |
| Selected Per Share Data: | | | | | |
| Net asset value, beginning of period | \$ 15.76 | \$ 15.67 | \$ 15.42 | \$ 14.44 | \$ 13.69 |
| Income (loss) from investment operations: | 0.95 | 1.01 | 1.04 | 1.03 | 1.01 |

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| | | | | | | |
|--|----------|----------|----------|----------|-----------|--|
| Net investment income * | | | | | | |
| Net realized and unrealized gain | 0.17 | 0.03 | 0.11 | 0.90 | 0.79 | |
| Common share equivalent of dividends paid to preferred shareholders* | (0.12) | (0.10) | (0.13) | (0.22) | (0.22) | |
| Total income from investment operations | 1.00 | 0.94 | 1.02 | 1.71 | 1.58 | |
| Less dividends and distributions from: | | | | | | |
| Net investment income | (0.92) | (0.90) | (0.82) | (0.78) | (0.86) | |
| Net realized gain | (0.29) | — | — | — | — | |
| Total dividends and distributions | (1.21) | (0.90) | (0.82) | (0.78) | (0.86) | |
| Anti-dilutive effect of acquiring treasury shares * | 0.05 | 0.05 | 0.05 | 0.05 | 0.03 | |
| Net asset value, end of period | \$ 15.60 | \$ 15.76 | \$ 15.67 | \$ 15.42 | \$ 14.44 | |
| Market value, end of period | \$ 14.09 | \$ 14.73 | \$ 14.05 | \$ 14.13 | \$ 12.813 | |
| Total Return† | 3.91% | 11.53% | 5.35% | 16.70% | 3.29% | |
| Ratios to Average | | | | | | |

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| | | | | | |
|---|----------------------|----------------------|-----------|-----------|-----------|
| Net Assets of Common Shareholders: | | | | | |
| Total expenses (before expense offset) | 0.82% ⁽¹⁾ | 0.75% ⁽¹⁾ | 0.72% | 0.71% | 0.73% |
| Net investment income before preferred stock dividends | 6.11% | 6.38% | 6.82% | 6.84% | 7.27% |
| Preferred stock dividends | 0.76% | 0.66% | 0.87% | 1.43% | 1.59% |
| Net investment income available to common shareholders | 5.35% | 5.72% | 5.95% | 5.41% | 5.68% |
| Supplemental Data: | | | | | |
| Net assets applicable to common shareholders, end of period, in thousands | \$362,468 | \$382,145 | \$396,360 | \$405,226 | \$392,513 |
| Asset coverage on preferred shares at end of period | 334% | 346% | 355% | 361% | 352% |
| Portfolio turnover rate | 17% | 43% | 17% | 13% | 11% |

*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, 2004, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2004, by correspondence with the custodian and broker. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, 2004, 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 14, 2004

2004 Federal Tax Notice (unaudited)

During the year ended October 31, 2004, the Trust paid the following per share amounts from tax-exempt income: \$0.946 to common shareholders, \$602 to Series 1 preferred shareholders, \$520 to Series 2 preferred shareholders, \$944 to Series 3 preferred shareholders, \$689 to Series 4 preferred shareholders and \$766 to Series 5 preferred shareholders. For the year ended October 31, 2004, the Trust paid the following per share amounts from long-term capital gains: \$0.264 to common shareholders, \$128 to Series 1 preferred shareholders, \$131 to Series 2 preferred shareholders, \$261 to Series 3 preferred shareholders, \$296 to Series 4 preferred shareholders and \$138 to Series 5 preferred shareholders.

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information

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 Trustee*** | Other Directorships Held by Trustee |
|---|----------------------------------|---|--|---|---|
| Michael Bozic (63) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 919 Third Avenue New York, NY | Trustee | Since April 1994 | Private Investor; Director or Trustee of the Retail Funds (since April 1994) 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. | 208 | Director of Weirton Steel Corporation. |
| Edwin J. Garn (72) c/o Summit Ventures LLC 1 Utah Center 201 S. Main Street Salt Lake City, UT | Trustee | Since January 1993 | Managing Director of Summit Ventures LLC; Director or Trustee of the Retail Funds (since January 1993) and the Institutional Funds (since July 2003); member of the | 208 | Director of Franklin Covey (time management systems), BMW Bank of North America, Inc. (industrial loan corporation), United Space Alliance (joint |

| | | | | |
|---|---|---|------------|--|
| <p>Wayne E. Hedien (70) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 919 Third Avenue New York, NY</p> | <p>Trustee Since September 1997</p> | <p>Utah Regional Advisory Board of Pacific Corp.; formerly 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). 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), 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).</p> | <p>208</p> | <p>venture between Lockheed Martin and the Boeing Company) and Nuskin Asia Pacific (multilevel marketing); member of the board of various civic and charitable organizations. Director of The PMI Group Inc. (private mortgage insurance); Trustee and Vice Chairman of The Field Museum of Natural History; director of various other business and charitable organizations.</p> |
|---|---|---|------------|--|

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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 | Other Directorships Held by Trustee |
|---|---|---|--|--|--|
|---|---|---|--|--|--|

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| | | | Trustee*** | | |
|---|----------------|----------------------------|---|------------|---|
| <p>Dr. Manuel H. Johnson (55) c/o Johnson Smick International, Inc. 2099 Pennsylvania Avenue, N.W. Suite 950 Washington, D.C.</p> | <p>Trustee</p> | <p>Since July 1991</p> | <p>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.</p> | <p>208</p> | <p>Director of NVR, Inc. (home construction); Chairman and Trustee of the Financial Accounting Foundation (oversight organization of the Financial Accounting Standards Board); Director of RBS Greenwich Capital Holdings (financial holding company).</p> |
| <p>Joseph J. Kearns (62) PMB754 23852 Pacific Coast Highway Malibu, CA</p> | <p>Trustee</p> | <p>Since July 2003</p> | <p>President, Kearns & Associates LLC (investment consulting); 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.</p> | <p>209</p> | <p>Director of Electro Rent Corporation (equipment leasing), The Ford Family Foundation, and the UCLA Foundation.</p> |
| <p>Michael E. Nugent (68) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY</p> | <p>Trustee</p> | <p>Since July 1991</p> | <p>General Partner of Triumph 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).</p> | <p>208</p> | <p>Director of various business organizations.</p> |
| <p>Fergus Reid (72) c/o Lumelite Plastics Corporation</p> | <p>Trustee</p> | <p>Since July 2003</p> | <p>Chairman of Lumelite Plastics Corporation; Chairman of the</p> | <p>209</p> | <p>Trustee and Director of certain investment companies in the</p> |

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85 Charles Colman Blvd.
Pawling, NY

Governance Committee
and Director or Trustee of
the Retail Funds (since
July 2003) and the
Institutional Funds (since
June 1992).

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 continued

Interested Trustees:

| 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 Trustee*** | Other Directorships Held by Trustee |
|---|-----------------------------------|---|--|---|---|
| Charles A. Fiumefreddo (71) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | 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). | 208 | None |
| James F. Higgins (56) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | 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 | 208 | Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services). |

President and Chief
 Operating Officer of
 Individual Securities of
 Morgan Stanley (February
 1997-May 1999).

*This is the earliest date the Trustee began serving the funds advised by Morgan Stanley Investment Advisors Inc. (the "Investment Manager") (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 Manager and any funds that have an investment advisor that is an affiliated person of the Investment Manager (including but not limited to Morgan Stanley Investment Management Inc.).

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Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information continued

Officers:

| 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 Mitchell M. Merin (51) 1221 Avenue of the Americas New York, NY | President | Since May 1999 | President and Chief Operating Officer of Morgan Stanley Investment Management Inc.; President, Director and Chief Executive Officer of the Investment Manager and Morgan Stanley Services; Chairman and Director of the Distributor; Chairman and Director of the Transfer Agent; Director of various Morgan Stanley subsidiaries; President of the Institutional Funds (since July 2003) and President of the Retail Funds (since May 1999); Trustee (since July 2003) and President (since December 2002) of the Van Kampen Closed-End Funds; Trustee (since May 1999) and President (since October 2002) of the Van Kampen Open-End Funds. |
| Ronald E. Robison (65) 1221 Avenue of the Americas New York, NY | Executive Vice President and Principal | Since April 2003 | Principal Executive Officer-Office of the Funds (since November 2003); Managing Director of Morgan Stanley & Co. Incorporated, Managing Director of Morgan Stanley; Managing Director, Chief Administrative Officer and |

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|---|--------------------------|---------------------|--|
| | Executive Officer | | Director of the Investment Manager and Morgan Stanley Services; Chief Executive Officer and Director of the Transfer Agent; Managing Director and Director of the Distributor; Executive Vice President and Principal Executive Officer of the Institutional Funds (since July 2003) and the Retail Funds (since April 2003); Director of Morgan Stanley SICAV (since May 2004); previously President and Director of the Retail Funds (March 2001-July 2003) and Chief Global Operations Officer and Managing Director of Morgan Stanley Investment Management Inc. |
| Joseph J. McAlinden (61) 1221 Avenue of the Americas New York, NY | Vice President | Since July 1995 | Managing Director and Chief Investment Officer of the Investment Manager and Morgan Stanley Investment Management Inc.; Director of the Transfer Agent, 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 (49) 1221 Avenue of the Americas New York, NY | 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 (since July 1998) of the Investment Manager and Morgan Stanley Services; 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 Manager and Morgan Stanley Services (February 1997-December 2001). |
| Amy R. Doberman (42) 1221 Avenue of Americas New York, NY | Vice President | Since July 2004 | Managing Director and General Counsel, U.S. Investment Management; Managing Director of Morgan Stanley Investment Management Inc. and the Investment Manager, Vice President of the Institutional and Retail Funds (since July 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 | 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. |

Morgan Stanley Insured Municipal Income Trust

Trustee and Officer Information continued

| 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** |
|---|---------------------------------------|--|---|
| Stefanie V. Chang (37) 1221 Avenue of the Americas New York, NY | Vice President | Since July 2003 | Executive Director of Morgan Stanley & Co. Incorporated, Morgan Stanley Investment Management Inc. and the Investment Manager; 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 (39) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | Treasurer and Chief Financial Officer | Treasurer since July 2003 and Chief Financial Officer since September 2002 | Executive Director of the Investment Manager and Morgan Stanley Services (since December 2001); previously, Vice President of the Retail Funds (September 2002-July 2003), Vice President of the Investment Manager and Morgan Stanley Services (August 2000-November 2001) and Senior Manager at PricewaterhouseCoopers LLP (January 1998-August 2000). |
| Thomas F. Caloia (58) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | Vice President | Since July 2003 | Executive Director (since December 2002) and Assistant Treasurer of the Investment Manager, the Distributor and Morgan Stanley Services; previously Treasurer of the Retail Funds (April 1989-July 2003); formerly First Vice President of the Investment Manager, the Distributor and Morgan Stanley Services. |
| Mary E. Mullin (37) 1221 Avenue of the Americas New York, NY | Secretary | Since July 2003 | Executive Director of Morgan Stanley & Co. Incorporated, Morgan Stanley Investment Management Inc. and the Investment Manager; 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.

Michael Bozic
Charles A. Fiumefreddo
Edwin J. Garn
Wayne E. Hedien
James F. Higgins
Dr. Manuel H. Johnson
Joseph J. Kearns
Michael E. Nugent
Fergus Reid

Morgan Stanley
Insured Municipal
Income Trust

Officers

Annual Report
October 31, 2004

Charles A. Fiumefreddo
Chairman of the Board

Mitchell M. Merin
President

Ronald E. Robison
*Executive Vice 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 Manager

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

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