

MORGAN STANLEY INSURED MUNICIPAL INCOME TRUST  
Form N-CSRS  
July 09, 2008

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: **811-06590**

**Morgan Stanley Insured Municipal Income Trust**

(Exact name of registrant as specified in charter)

**522 Fifth Avenue, New York, New York**

**10036**

(Address of principal executive offices)

(Zip code)

**Ronald E. Robison**

**522 Fifth Avenue, New York, New York 10036**

(Name and address of agent for service)

Registrant's telephone number, including area code: **212-296-6990**

Date of fiscal year end: October 31, 2008

Date of reporting period: April 30, 2008

Item 1 - Report to Shareholders

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Welcome, Shareholder:

In this report, you'll learn about how your investment in Morgan Stanley Insured Municipal Income Trust performed during the semiannual 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).

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Fund Report For the six months ended April 30, 2008

#### Market Conditions

The six-month period under review was marked by disrupted credit markets, recession fears, deterioration of the housing market, and markdowns in the mortgage market as a result of forced selling. Although the fixed income market saw some improvements in the last month of the period, many of the same concerns and problems remained.

The Federal Reserve (the "Fed") stepped in several times during the period to minimize the liquidity crisis. Not only did the Federal Open Market Committee reduce the target federal funds rate several times, from 4.5 percent to 2.0 percent, but in an unprecedented move, the Fed granted primary Treasury dealers (mostly brokerage firms) access to its discount window and loosened its collateral requirements, extending loans of Treasury securities in exchange for lower quality, less liquid securities. Finally, in what was most decidedly the biggest headline event, the Fed arranged and supported JPMorgan Chase's purchase of Bear Stearns, which was viewed by many as necessary to avoid serious market repercussions had the firm failed.

The decline in short-term interest rates, coupled with the risk-averse environment during the period pushed Treasury yields lower, especially on the short end of the yield curve, causing the curve to steepen. The municipal yield curve steepened as well, with the yield differential between one-year and 30-year maturities reaching more than 300 basis points. Overall, municipal bonds underperformed their taxable counterparts as credit rating downgrades of various monoline bond insurers and the deterioration of the auction rate and variable rate markets posed additional challenges for the sector. After a record year for new municipal bond issuance in 2007, the amount of new issues coming to market in the first four months of 2008 declined.

#### Performance Analysis

For the six-month period ended April 30, 2008, the net asset value (NAV) of Morgan Stanley Insured Municipal Income Trust (IIM) decreased from \$15.32 to \$14.97 per share. Based on this change plus reinvestment of tax-free dividends totaling \$0.345 per share and a long-term capital gain distribution of \$0.017749 per share, the Trust's total NAV return was 0.35 percent. IIM's value on the New York Stock Exchange (NYSE) moved from \$13.81 to \$13.74 per share during the same period. Based on this change plus reinvestment of dividends and distributions, the Trust's total market return was 2.18 percent. IIM's NYSE market price was at an 8.22 percent discount to its NAV. During the fiscal period, the Trust purchased and retired 201,484 shares of common stock at a weighted average market discount of 10.41 percent. *Past performance is no guarantee of future results.*

Monthly dividends for the second quarter of 2008, declared in April were unchanged at \$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 of \$0.056 per share on April 30, 2008 was unchanged from six months earlier.<sup>1</sup>



Throughout the six-month period, the Trust maintained a lower interest rate sensitivity (as measured by duration\*), which was implemented through the use of a U.S. Treasury futures hedge. This defensive positioning benefited performance as it helped to minimize the price declines that resulted from rising yields across the intermediate and long end of the municipal yield curve.

In terms of the Trust's sector positioning, an overweight in the hospital/life care and tobacco sectors detracted from relative performance as spread widening in those sectors hindered returns. Conversely, an overweight in the public utility sector, particularly water and sewer bonds, benefited performance. The flight to quality that took place during the period helped boost the performance of the more solid infrastructure sectors such as utilities and the Trust's holdings there enhanced returns.

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 Auction Rate Preferred Shares (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**

as of 04/30/08 Public Power 18.6 % Other Revenue 12.6 Transportation 11.3 Refunded 10.0 General Obligation 8.9

**LONG-TERM CREDIT ENHANCEMENTS**

as of 04/30/08 MBIA 32.4 % FSA 21.4 FGIC 21.2 AMBAC 17.3 AGC 4.1 XLCA 3.1 PSF 0.5

**SUMMARY OF INVESTMENTS BY STATE**

**CLASSIFICATION as of 04/30/08** California 33.4 % Texas 26.3 New York 17.6 Washington 11.7 Florida 7.9 Illinois 6.6 Pennsylvania 6.0 South Carolina 5.1 District of Columbia 4.1 Georgia 4.0 Rhode Island 3.6 North Carolina 3.0 Colorado 2.3 Virginia 2.1 Nevada 2.0

**SUMMARY OF INVESTMENTS BY STATE**

**CLASSIFICATION as of 04/30/08 (continued)** Michigan 1.9 % New Jersey 1.7 Utah 1.7 Hawaii 1.6 Nebraska 1.6 Indiana 1.4 Arizona 1.4 Louisiana 1.3 Massachusetts 1.1 Oregon 1.0 West Virginia 1.0 Idaho 0.9 Missouri 0.8 Montana 0.6 Ohio 0.5 Connecticut 0.5 New Hampshire 0.4 Total Long-Term Investments† 155.1 Short-Term Investment 4.7 Liability for Floating Rate Note Obligations (8.9) Liabilities in Excess of Other Assets (0.9) Preferred Shares of Beneficial Interest (50.0) Net Assets Applicable to Common Shareholders 100.0 %

† Does not include open long/short futures contracts with an underlying face amount of \$107,345,066 with net unrealized appreciation of \$215,304 and interest rate swap contracts with net unrealized depreciation of \$115,400.

Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the sectors shown above. Top five sectors are as a percentage of total investments. Long-term credit enhancements are as a percentage of long-term investments. Summary of investments by state classification are as a percentage of net assets applicable to common shareholders. Securities are classified by sectors that represent broad groupings of related industries. 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](http://www.morganstanley.com). Each Morgan Stanley trust also files a complete schedule of portfolio holdings with the SEC for the trust's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to shareholders, nor are the reports posted to the Morgan Stanley public web site. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's web site, <http://www.sec.gov>. You may also review and copy them at the SEC's public reference room in Washington, DC. Information on the operation of the SEC's public reference room may be obtained by calling the SEC at (800) SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address ([publicinfo@sec.gov](mailto:publicinfo@sec.gov)) or by writing the public reference section of the SEC, Washington, DC 20549-0102.

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments April 30, 2008 (unaudited)

		PRINCIPAL		AMOUNT IN		THOUSANDS		COUPON		RATE		MATURITY	
		DATE	VALUE	Tax-Exempt Municipal Bonds (155.1%)									
<i>Arizona (1.4%)</i>			\$ 1,595	Arizona Certificates of Participation, Ser 2008 A (FSA Insd)								5.00	%
09/01/26	\$ 1,657,731	2,500		University of Arizona, 2003 Ser B COPs (AMBAC Insd)								5.00	06/01/23
	2,568,750		4,226,481	<i>California (33.4%)</i>								1,475	Alameda County Joint Powers
				12/01/24	1,554,178	1,160	Alvord Unified School District, 2007						
				Election Ser 2007 A									
	(FSA Insd) WI	5.00	08/01/27	1,214,914	20,000	Anaheim Public Financing Authority, California,							
				Anaheim Electric									
Ser 2007-A (MBIA Insd)(a)		4.50	10/01/37	18,941,700	8,000	California, Ser 2007 (MBIA Insd)					4.25		
			08/01/33	7,326,640	3,000	California, Economic Recovery Ser 2004 (MBIA Insd)					5.00		
				3,237,240	3,050	California Department of Water Resources Power Supply, Ser 2008 H (FSA Insd)					5.00		
05/01/22	3,260,480	10,000		California Infrastructure & Economic Development Bank, Bay Area Toll Bridges									
				01/01/28	10,681,300	5,000	California						
				01/01/28	5,340,650	6,000	Golden State Tobacco Securitization Corporation,						
				06/01/38	5,747,880	9,000	Long						
				05/15/18	9,934,650	3,000	Los Angeles,						
				09/01/24	3,101,760	5,000	Los Angeles Department of Water						
				07/01/24	5,165,700	4,000	Oxnard Financing						
				Authority, Water & Power, Water 2004 Ser C									
	(XLCA Insd)	5.00	06/01/28	4,004,000	3,000	Sacramento County Sanitation District Financing							
				12/01/36	3,053,790	5,000	San						
				Diego County Water Authority, California, Ser 2002 A COPs									
(MBIA Insd)	5.00	05/01/27	5,113,100	5,000	San Diego County Water Authority, California, Ser 2004 A								
COPs (FSA Insd)	5.00	05/01/29	5,118,600	3,000	San Francisco City & County, City Buildings Ser 2007								
				A COPs									
(FGIC Insd)	4.50	09/01/37	2,735,910	2,000	University of California, Ser 2003 B (AMBAC Insd)					5.00			
				05/15/22	2,076,580								

See Notes to Financial Statements

## Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments April 30, 2008 (unaudited) continued

		PRINCIPAL		AMOUNT IN		THOUSANDS		COUPON		RATE		MATURITY	
DATE	VALUE \$												
3,006,994	2,880	3,120	University of California, Ser 2007-J (FSA Insd) (a)	4.50	%	05/15/31	\$						
	103,391,752		University of California, Ser 2007-J (FSA Insd) (a)	4.50		05/15/35	2,775,686						
(XLCA Insd)	5.25	10/01/40	3,883,440	630	4,000	Arkansas River Power Authority, Colorado, Power Ser 2006							
	4.75	09/01/25	627,014	3,000		Colorado Health Facilities Authority, Ser 2006 (FSA Insd)							
(XLCA Insd)	5.00	12/01/30	2,770,740			Denver Convention Center Hotel Authority, Refg Ser 2006							
	1,525					Connecticut (0.5%)	7,281,194						
Insd)	5.00	07/01/25	1,574,013			Connecticut Health & Educational Facilities Authority, Quinnipiac University Issue Ser 2007 K-2 (MBIA							
Columbia, Refg Ser 1993 (FSA Insd)	5.00	02/01/31	6,266,760	2,000		District of Columbia (4.1%)	6,000						
2006 B-1 (FGIC Insd)	5.00	02/01/31	1,888,260	3,000		District of Columbia Ballpark, Ser							
the Advancement of Science Ser 1997 (AMBAC Insd)	5.125	01/01/27	3,024,360	1,350		District of Columbia, American Association for							
Ser 2008A (AGC Insd)	5.00	10/01/28	1,388,624			Columbia Water & Sewer Authority, Refg Sub-Lien							
	1,550					Florida (7.9%)	12,568,004						
15,000						Florida Mid-Bay Bridge Authority, Refg Ser 2008 (AGC Insd)	5.00						
Orange County School Board, Ser 2001 A COPs (AMBAC Insd)	5.25	08/01/14	3,192,900	5,000		Tampa							
Bay Water Authority, Ser 2001 A (FGIC Insd)	5.00	10/01/28	5,049,850			Bay Water Authority, Ser 2001 A (FGIC Insd)							
Georgia (4.0%)	5,000					Atlanta, Airport Ser 2004 C (FSA Insd)	5.00						
Atlanta, Water & Wastewater, Ser 2004 (FSA Insd)	5.00	11/01/23	5,176,650	2,000		Atlanta, Water & Wastewater, Ser 2004 (FSA Insd)							
Sewer Ser 2004 (FSA Insd)	5.25	10/01/39	2,064,080			Hawaii (1.6%)	12,319,930						
	5,000					Hawaii Department of Budget & Finance, Hawaiian Electric Co							
Ser 1999 C (AMT) (AMBAC Insd)	6.20	11/01/29	5,089,900			Ser 1999 C (AMT) (AMBAC Insd)							

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## Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments April 30, 2008 (unaudited) continued

DATE	VALUE	PRINCIPAL AMOUNT IN THOUSANDS	COUPON RATE	MATURITY				
Ser 2006 (MBIA Insd)	5.00 %	\$ 2,500		01/01/26	\$ 2,512,475	Missouri (0.8%)	2,000	Missouri Joint Municipal Electric Utility Commission Plum Point Montana Facility Finance Authority, Bebenefits Health Care
Ser 2007 (AGC Insd)	5.00	2,020,900		01/01/37		Nebraska (1.6%)	5,000	Nebraska Public Power District, 2003 Ser A (AMBAC Insd)
Las Vegas Water District, Impr & Refg Ser 2003 a (FGIC Insd)	5.25	5,013,200		01/01/35		Nevada (2.0%)	5,080	Nevada Department of Business & Industry, Las Vegas Monorail 1st Tier Ser 2000 (AMBAC Insd)
779,025	6,132,278							5.375 01/01/40 New Hampshire Health & Education Facilities Authority,
University of New Hampshire Ser 2001 (AMBAC Insd)	5.125	1,312,038		07/01/33		New Jersey (1.7%)		New Jersey Transportation Trust Fund Authority, Ser 2005 C
(FGIC Insd)	5.25	4,272,640		06/15/20	1,000			University of Medicine & Dentistry, Ser 2004 COPs (MBIA Insd)
Yards Infrastructure Corporation, 2007 Ser A (MBIA Insd)	5.00	1,002,560		06/15/29	5,275,200	New York (17.6%)	16,000	Hudson Power Authority, Refg Ser 2003 C (FSA Insd)
Authority, Ser 2006 A (XLCA Insd)	5.00	4,052,920		02/15/47	3,068,850		4,000	Long Island Authority, Ser 2002 A (FSA Insd)
Ser 2002 A (FSA Insd)	5.25	3,188,850		09/01/28	3,000		3,000	Metropolitan Transportation Authority, Dedicated Tax Fund Refg
Ser 2002 A (FGIC Insd)	5.00	10,072,400		12/01/26	10,000			Metropolitan Transportation Authority, Transportation Refg
Agency, Queens Baseball Stadium Ser 2006 (AMBAC Insd)	5.00	2,015,260		11/15/24	2,000			New York City Industrial Development Agency, Queens Baseball Stadium Ser 2006 (AMBAC Insd)
Ser 2006 (FGIC Insd)	5.00	2,385,300		01/01/31	2,500			City Industrial Development Agency, Yankee Stadium
(AMBAC Insd)	5.25	1,823,433		03/01/46	1,735			New York City Transitional Finance Authority, 2000 Ser C
(AMBAC Insd)(c)	5.25	2,625,925		08/01/21	2,500			New York State Transitional Finance Authority, 2000 Ser C
E (MBIA Insd)	5.25	10,518,500		08/01/22	10,000			Triborough Bridge & Tunnel Authority, Refg 2002
				11/15/22				54,677,998

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## Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments April 30, 2008 (unaudited) continued

		PRINCIPAL		AMOUNT IN		THOUSANDS		COUPON		RATE		MATURITY		
DATE	VALUE	<i>North Carolina (3.0%)</i>		\$ 6,000	North Carolina Municipal Power Agency #1,									
					Catawba Ser 2003									
(MBIA Insd)	5.25 %	01/01/19	\$ 6,286,260	3,000	University of North Carolina at Wilmington, Student									
					Housing									
Ser 2005 COPs (FGIC Insd)	5.00	06/01/36	2,977,470		9,263,730	<i>Ohio (0.5%)</i>								
	2,545	Cleveland Ohio Public Power System, Ser 2008 B-2 (MBIA Insd)		0.00	11/15/26	991,354								
1,720		Cleveland Ohio Public Power System, Ser 2008 B-2 (MBIA Insd)		0.00	11/15/28	593,211								
	1,584,565	<i>Oregon (1.0%)</i>		3,000	Oregon Department of Administrative Services, COPs									
Ser 2005 B (FGIC Insd)	5.00	11/01/24	3,044,970			<i>Pennsylvania (6.0%)</i>						5,000		
	5.625	08/15/18	5,412,450	2,000	Allegheny County Hospital Development Authority, Pittsburgh Mercy Health Ser 1996 (AMBAC Insd) (ETM)									
Ser A 2005 (AMT) (FGIC Insd)	5.00	11/01/37	1,838,500	4,110	Delaware County Industrial Development Authority, Aqua Inc									
Insd(a)	5.00	01/01/13 (d)	4,444,081	1,450	Pennsylvania, First Ser 2003 (MBIA									
(AGC Insd)	5.00	06/01/25	1,523,819	5,000	Pennsylvania Turnpike Commission, Ser 2008 Subser A-1									
	5.25	12/15/14	5,473,900		18,692,750	<i>Rhode Island (3.6%)</i>		10,000		Rhode Island				
					Depositors Economic Protection Corporation,									
Refg 1992 Ser B (MBIA Insd) (ETM)	6.00	08/01/17	11,046,900		<i>South Carolina (5.1%)</i>									
1,500		Medical University Hospital Authority, FHA Insured Mtge				Ser 2004 A (MBIA Insd)		5.25						
		02/15/25	1,548,495	10,000	South Carolina Public Service Authority, Santee Cooper									
Ser 2003 A (AMBAC Insd)	5.00	01/01/27	10,213,800	4,000	South Carolina Public Service Authority,									
Santee Cooper 2006 Ser A (MBIA Insd)	5.00	01/01/36	4,081,440		15,843,735	<i>Texas</i>								
(26.3%)			3,020	Amarillo Health Facilities Corporation, Baptist St Anthony's Hospital Ser 1998 (FSA										
Insd)	5.50	01/01/16	3,348,032	5,075	Amarillo Health Facilities Corporation, Baptist St Anthony's									
				5.50	01/01/17	5,631,677								

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments April 30, 2008 (unaudited) continued

		PRINCIPAL		AMOUNT IN		THOUSANDS		COUPON		RATE		MATURITY	
DATE	VALUE	\$ 9,000	Dallas-Fort Worth International Airport, Ser 2003 A (AMT) (FSA Insd)	5.375	%								
11/01/22	\$ 9,151,920	1,000	Friendswood Independent School District, Ser 2008 (PSF Insd) WI	5.00									
02/15/27	1,037,570	2,160	Harris County Health Facilities Development Corp, Thermal Utility Ser 2008 (AGC Insd)	5.25		11/15/24	2,278,044	15,000	Houston, Combined Utility First Lien Refg 2004 Ser A (FGIC Insd)	5.25		05/15/23	15,350,100
			Houston, Public Impr & Refg Ser 2001 B (FSA Insd)	5.50		03/01/17	4,259,880	1,175	Houston Community College System, Sr Lien Student Fee				
			Ser 2008 (FSA Insd) WI	5.00		04/15/25	1,227,476	330	Houston Community College System, Sr Lien Student Fee				
			Ser 2008 (FSA Insd) WI	5.00		04/15/26	343,659	3,975	Houston Hotel Occupancy, Capital Appreciation				
			Ser 2001 B (FSA Insd)	0.00		09/01/26	1,496,309	1,550	Humble Independent School District, Unlimited Tax School Building Ser 2008A (AGC Insd)	5.00		02/15/25	1,614,465
			Authority, First Tier Capital Appreciation Refg Ser 2008D (AGC Insd)	0.00		01/01/28	2,998,822	8,575	Lower Colorado River Authority, Refg Ser 1999 A (MBIA Insd)	5.00		05/15/31	8,646,944
			Lower Colorado River Authority, Refg Ser 1999 A (FSA Insd)	5.875		05/15/16	10,393,551	5,000	Lower Colorado River Authority, Refg Ser 2001 A (FSA Insd)	5.00		05/15/26	5,073,050
			Water & Refg Ser 2002 A (FSA Insd)	5.00		05/15/32	3,036,030	4,000	Texas Turnpike Authority, Central Texas Ser 2002 A (AMBAC Insd)	5.50		08/15/39	4,103,680
			Unlimited Tax School Building Ser 2008 (PSF Insd) WI	5.00		02/15/24	1,576,455		Victoria Independent School District, 81,567,664				
			Utah (1.7%)	5,000					Intermountain Power Agency, Utah, 2003 Ser A (FSA Insd)	5.00			
			07/01/21	5,211,450					Virginia (2.1%)	3,000			
			Alexandria Industrial Development Authority, Institute for Defense Analysis Ser 2000 A (AMBAC Insd)	5.90		10/01/10 (d)	3,269,550	3,000	Richmond Metropolitan Authority, Refg Ser 2002 (FGIC Insd)	5.25		07/15/22	3,277,050
			Washington (11.7%)	6,000					Cowlitz County, Public Utility District # 1, Production Ser 2006 (MBIA Insd)	5.00		09/01/31	6,073,020
			5,000						King County, Sewer Refg 2001 (FGIC Insd)	5.00			
			01/01/31	5,049,700					Port of Seattle, Passenger Facility Ser 1998 A (MBIA Insd) (a)	5.00		12/01/23	8,094,120
			5,000						Port of Seattle, Ser 2001 B (AMT) (MBIA Insd)	5.625		02/01/24	5,039,950
			Seattle, Water Refg 2003 (MBIA Insd)	5.00		09/01/20	3,007,045						

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments April 30, 2008 (unaudited) continued

		PRINCIPAL				AMOUNT IN			
		THOUSANDS		COUPON		RATE		MATURITY	
DATE	VALUE \$	2,870	Seattle, Water Refg 2003 (MBIA Insd)	5.00	%	09/01/23	\$	2,970,249	
	2,500		Spokane School District #81, Ser 2005 (MBIA Insd)	0.00(e)		12/01/23	2,492,675	4,300	
	Washington State Motor Vehicle Fuel Tax, Ser 2004F (AMBAC Insd)	0.00		12/01/29		1,401,929	2,000		
	Washington State Health Care Facilities Authority, Kadlec Medical Center Ser 2006 A (AGC Insd)	5.00							
12/01/30	2,011,000		36,139,688		West Virginia (1.0%)		2,900	West Virginia	
	Water Development Authority, Loan Program II Refg Ser 2003 B (AMBAC Insd)	5.25		11/01/23		3,026,440			
	Total Tax-Exempt Municipal Bonds (Cost \$474,432,001)					480,619,498			

		NUMBER OF			
		SHARES (000)		Short-Term Investment (f) (4.7%)	
Investment Company	14,667	Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio –			
Institutional Class (Cost \$14,667,357)	14,667,357	Total Investments (Cost \$489,099,358)	495,286,855		

		PRINCIPAL			
		AMOUNT IN			
		THOUSANDS			
	Floating Rate Note Obligations Related to Securities Held (–8.9%)	\$ (27,580)	Notes with interest rates ranging from 2.45% to 2.75% at April 30, 2008 and contractual maturities of collateral ranging from 01/01/13 to 10/01/37 (g) (Cost \$(27,580,000))	(27,580,000)	Total Net Investments (Cost \$461,519,358)
(h)(i)	150.9 %	467,706,855	Liabilities in Excess of Other Assets (0.9)	(2,934,317)	Preferred Shares of Beneficial Interest (50.0)
		(155,000,000)	Net Assets Applicable to Common Shareholders	100.0 %	\$ 309,772,538

See Notes to Financial Statements



Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments April 30, 2008 (unaudited) 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 Escrow to Maturity. WI Security purchased on a when-issued basis. (a) Underlying securities related to inverse floaters entered into by the Trust. (b) Currently a zero coupon security; will convert to 5.00% on October 1, 2013. (c) A portion of this security has been physically segregated in connection with open futures contracts in the amount of \$611,351. (d) Prerefunded to call date shown. (e) Currently a zero coupon security; will convert to 5.75% on June 15, 2017. (f) See Note 3 to the financial statements regarding investments in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio – Institutional Class. (g) Floating rate note obligations related to securities held. The interest rate shown reflects the rate in effect at April 30, 2008. (h) Securities have been designated as collateral in an amount equal to \$102,119,269 in connection with open futures and swap contracts, securities purchased on a when-issued basis and inverse floating rate municipal obligations. (i) The aggregate cost for federal income tax purposes approximates the aggregate cost for book purposes. The aggregate gross unrealized appreciation is \$12,063,777 and the aggregate gross unrealized depreciation is \$5,876,280, resulting in net unrealized appreciation of \$6,187,497. 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. PSF Texas Permanent School Fund Guarantee Program. XLCA XL Capital Assurance Inc.

See Notes to Financial Statements

Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments April 30, 2008 (unaudited) continued

Futures Contracts Open at April 30, 2008:

NUMBER OF  
CONTRACTS LONG/SHORT DESCRIPTION, DELIVERY  
MONTH AND YEAR UNDERLYING FACE  
AMOUNT AT VALUE UNREALIZED  
APPRECIATION

		(DEPRECIATION)	244	Long	Swap Future	10 Year		
June 2008	\$ 27,526,250	\$ 90,099	155	Long	U.S. Treasury Notes	5 Year		
June 2008	17,357,579	(187,371 )	42	Long	U.S. Treasury Notes	2 Year		
June 2008	8,932,875	(19,485 )	7	Long	U.S. Treasury Notes	10 Year		
June 2008	810,688	(2,422 )	451	Short	U.S. Treasury Bonds	20 Year		
June 2008	(52,717,674 )	334,483			Net Unrealized Appreciation		\$ 215,304	

Interest Rate Swap Contracts Open at April 30, 2008:

COUNTERPARTY NOTIONAL  
AMOUNT (000) PAYMENTS  
RECEIVED BY TRUST PAYMENTS  
MADE BY TRUST TERMINATION  
DATE UNREALIZED  
APPRECIATION

(DEPRECIATION)	JPMorgan Chase Bank N.A.	\$ 20,780	Fixed Rate 5.385%	Floating Rate 0.00%@	February 14, 2018	\$ 236,269	Bank of America N.A.	19,710	Fixed Rate 5.58	Floating Rate 0.00@	February 28, 2018	359,905	Bank of America N.A.	5,890	Fixed Rate 5.070	Floating Rate 0.00@	April 14, 2018	(6,185 )
	Bank of America N.A.	5,870	Fixed Rate 4.982	Floating Rate 0.00@	April 15, 2018	(24,771 )	Merrill Lynch & Co.	7,830	Fixed Rate 5.00	Floating Rate 0.00@	April 15, 2018	(28,110 )	JPMorgan Chase Bank N.A.	26,460	Floating Rate 0.00@	Fixed Rate 5.831	February 14, 2023	(288,943 )
	Bank of America N.A.	25,195	Floating Rate 0.00@	Fixed Rate 5.99	February 28, 2023	(386,240 )	Bank of America N.A.	7,535	Floating Rate 0.00@	Fixed Rate 5.47	April 14, 2023	(4,973 )	Bank of America N.A.	7,165	Floating Rate 0.00@	Fixed Rate 5.38	April 15, 2023	13,255
	Merrill Lynch & Co.	10,065	Floating Rate 0.00@	Fixed Rate 5.395	April 15, 2023	14,393	Net Unrealized Depreciation		\$ (115,400 )									

@ Floating rate represents USD-3 months LIBOR.

See Notes to Financial Statements







Morgan Stanley Insured Municipal Income Trust

Financial Statements continued

Statements of Changes in Net Assets

FOR

THE SIX  
MONTHS ENDED  
APRIL 30, 2008 FOR THE YEAR  
ENDED

OCTOBER 31, 2007	<i>(unaudited)</i>	Increase (Decrease) in Net Assets: Operations:	Net investment
income	\$ 10,034,184	\$ 20,423,278	income
appreciation/depreciation	(9,454,580)	(9,684,681)	Net realized gain
income	(2,870,175)	(5,728,984)	2,138,759
Distributions to Common Shareholders from:			1,256
Net investment income	(7,166,689)	(14,615,818)	Net change in unrealized
realized gain	(370,203)	(1,320,583)	Dividends to preferred shareholders from net investment
Decrease from transactions in common shares of beneficial interest	(2,771,713)	(7,699,780)	income
(10,460,417)	(18,625,312)	Net Increase (Decrease)	(151,812)
320,232,955	338,858,267	5,010,869	Dividends and
End of Period			Distributions to Common Shareholders from:
			Net investment income
			(7,166,689)
			(14,615,818)
			Net realized gain
			(370,203)
			(1,320,583)
			Total Dividends and Distributions
			(7,536,892)
			(15,936,401)
			Net Decrease
			(10,460,417)
			(18,625,312)
			Net Assets Applicable to Common Shareholders:
			Beginning of period
			320,232,955
			338,858,267
			End of Period
			(Including accumulated undistributed net investment income of
			<i>\$1,157,554 and \$1,160,234, respectively</i> )
			\$ 309,772,538
			\$ 320,232,955

See Notes to Financial Statements

Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements April 30, 2008 (unaudited)

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 taxes. 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; (4) investments in open-end mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value as of the close of each business day; and (5) 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 and are included in interest income. 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

Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements April 30, 2008 (unaudited) continued

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 liquidations 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 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 April 30, 2008, Trust investments with a value of \$37,262,581 are held by the Dealer Trusts and serve as collateral for the \$27,580,000 in the floating rate note and dealer trusts obligations outstanding at that date. Contractual maturities of the floating rate note obligations and interest rates in effect at April 30, 2008 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. The Trust may pay or receive cash to collateralize interest rate swap contracts. This cash collateral is recorded as assets/liabilities on the Trust’s books. Any cash received may be invested in Morgan Stanley Institutional Liquidity Funds.

F. Federal Income Tax Policy — It is the Trust’s policy to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable and nontaxable income to its shareholders. Therefore, no provision for federal income taxes is required. The Trust files tax returns with the U.S. Internal Revenue Service, New York State and New York City.



Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements April 30, 2008 (unaudited) continued

The Trust adopted the provisions of the Financial Accounting Standards Board (“FASB”) Interpretation No. 48 (“FIN 48”) *Accounting for Uncertainty in Income Taxes* on April 29, 2008. FIN 48 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The implementation of FIN 48 did not result in any unrecognized tax benefits in the accompanying financial statements. If applicable, the Trust recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in other expenses in the Statement of Operations. Each of the tax years in the four year period ended April 30, 2008, remains subject to examination by taxing authorities.

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.

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 average weekly 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 average weekly net assets including preferred shares.

Under an agreement between the Administrator and State Street Bank and Trust Company (“State Street”), State Street provides certain administrative services to the Trust. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Trust.

3. Security Transactions and Transactions with Affiliates

The Trust invests in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio – Institutional Class, an open-end management investment company managed by the Investment Adviser. Investment advisory fees paid by the Trust are reduced by an amount equal to the advisory and administrative service fees paid by Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio – Institutional Class with respect to assets invested by the Trust in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio – Institutional Class. For the six months ended April 30, 2008, advisory fees paid were reduced by \$8,764 relating to the Trust’s investment in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio – Institutional Class. Income distributions earned by the Trust are recorded as dividends from affiliate in the Statement of Operations and

Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements April 30, 2008 (unaudited) continued

totaled \$202,589 for the six months ended April 30, 2008. During the six months ended April 30, 2008, cost of purchases and sales of investments in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio – Institutional Class aggregated \$53,999,924 and \$44,765,469 respectively.

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the six months ended April 30, 2008, aggregated \$40,497,152 and \$47,386,062, respectively.

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 six months ended April 30, 2008, included in Trustees' fees and expenses in the Statement of Operations amounted to \$2,302. At April 30, 2008, the Trust had an accrued pension liability of \$52,819 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 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.

Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements April 30, 2008 (unaudited) continued

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		3.59 %		05/05/08		2.78% – 4.51%	
05/05/08	2.78	– 4.75	3	1,000	50,000	3.59	05/05/08	2.78	– 4.60	4	400	20,000	3.59
	05/05/08	2.78	– 4.51	5	400	20,000	3.59	05/05/08	2.78	– 4.60			

+ As of April 30, 2008. ++ For the six months ended April 30, 2008.

Subsequent to April 30, 2008 and up through June 6, 2008, the Trust paid dividends to Series 1 through 5 at rates ranging from 2.48% to 3.94%, in the aggregate amount of \$491,381.

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, 2006	21,435,459	\$ 214,354	\$ 310,625,318	Treasury shares purchased and retired (weighted average discount 7.71%)+++	(539,300)	(5,393)	(7,694,387)	Balance, October 31, 2007	20,896,159	208,961	302,930,931	Treasury shares purchased and retired (weighted average discount 10.41%)+++
		(201,484)	(2,014)	(2,769,699)	Balance, April 30, 2008	20,694,675	\$ 206,947	\$ 300,161,232					

+++ The Trustees have voted to retire the shares purchased.



Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements April 30, 2008 (unaudited) continued

6. Dividends to Common Shareholders

On April 8, 2008, the Trust declared the following dividends from net investment income:

	PER SHARE RECORD	AMOUNT
	DATE PAYABLE	
DATE \$0.0575	May 23, 2008	May 30, 2008 \$0.0575
		June 20, 2008 June 27, 2008

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 Trusts in exchange for cash and residual interests in the Dealer Trusts. 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 Statements of Assets and Liabilities.



Morgan Stanley Insured Municipal Income Trust

Notes to Financial Statements April 30, 2008 (unaudited) 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.

As of October 31, 2007, 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.

10. Accounting Pronouncements

On March 19, 2008, FASB released Statement of Financial Accounting Standards No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*” (“FAS 161”). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit- risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements has not been determined.

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.

## 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 SIX MONTHS ENDED											
APRIL 30, 2008	FOR THE YEAR ENDED OCTOBER 31,					2007	2006	2005	2004	2003	(unaudited)
Selected Per Share Data:						Net asset value, beginning of period					\$ 15.32
15.81	\$ 15.50	\$ 15.60	\$ 15.76	\$ 15.67	Income (loss) from investment operations:						
Net investment income(1)	0.48	0.96	0.94	0.94	0.95	1.01	Net realized and unrealized gain (loss)				
(0.34)	(0.46)	0.40	(0.19)	0.17	0.03	Common share equivalent of dividends paid to preferred					
shareholders(1)	(0.14)	(0.27)	(0.22)	(0.13)	(0.12)	(0.10)	Total income from investment operations				
0.00	0.23	1.12	0.62	1.00	0.94	Less dividends and distributions from:					
investment income	(0.35)	(0.69)	(0.80)	(0.81)	(0.92)	(0.90)	Net realized gain	(0.02)	(0.06)		
					(0.05)	—					
					(0.29)	—					
Total dividends and distributions	(0.37)	(0.75)	(0.85)	(0.81)	(1.21)	(0.90)	Anti-dilutive effect of				
acquiring treasury shares(1)	0.02	0.03	0.04	0.09	0.05	0.05	Net asset value, end of period	\$ 14.97			
\$ 15.32	\$ 15.81	\$ 15.50	\$ 15.60	\$ 15.76	Market value, end of period	\$ 13.74	\$ 13.81	\$ 14.55	\$		
13.86	\$ 14.09	\$ 14.73	Total Return(2)	2.18 % (3)	0.03 %	11.30 %	4.19 %	3.91 %	11.53 %		
Ratios to Average Net Assets of Common Shareholders:							Total expenses (before expense				
offset)	1.07 % (4)(6)(7)	1.18 % (5)(7)	0.82 % (5)	0.80 % (5)	0.82 % (5)	0.75 % (5)	Total expenses				
(before expense offset, exclusive of interest and residual trust expenses)	0.77 % (4)(6)(7)	0.75 % (5)(7)	0.76 %								
(5)	0.80 % (5)	0.82 % (5)	0.75 % (5)	Net investment income before preferred stock dividends	6.38 %						
(4)(7)	6.24 % (5)	6.08 %	6.01 %	6.11 %	6.38 %	Preferred stock dividends	1.82 % (4)	1.75 %			
1.39 %	0.81 %	0.76 %	0.66 %	Net investment income available to common shareholders	4.56 % (4)(7)						
4.49 % (5)	4.69 %	5.20 %	5.35 %	5.72 %	Supplemental Data:	Net assets					
applicable to common shareholders, end of period, in thousands	\$ 309,773	\$ 320,233	\$ 338,858	\$ 342,956	\$						
362,468	\$ 382,145	Asset coverage on preferred shares at end of period	300 %	307 %	319 %	321 %					
334 %	346 %	Portfolio turnover rate	8 % (3)	7 %	13 %	15 %	17 %	43 %			

(1) The per share amounts were computed using an average number of common shares outstanding during the period. (2) 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. (3) Not annualized. (4) Annualized. (5) Does not reflect the effect of expense offset of 0.01%. (6) Does not reflect the effect of expense offset of 0.02%. (7) Reflects rebate of certain Fund expenses in connection with the investments in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio – Institutional Class during the period. As a result of such rebate, the expenses as a percentage of its net assets had an effect of less than 0.005%.

See Notes to Financial Statements





Morgan Stanley Insured Municipal Income Trust

Revised Investment Policy (unaudited)

While the Trust's policy is to emphasize investments in municipal obligations with longer-term maturities because generally longer-term obligations, while more susceptible to market fluctuations resulting from changes in interest rates, produce higher yields than short-term obligations, the Trust no longer expects to maintain a specific average weighted maturity of its portfolio. As a result of changes in the fixed-income and municipal marketplace, the Trust's average portfolio maturity will vary depending upon market conditions and other factors.

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Morgan Stanley Insured Municipal Income Trust

Morgan Stanley Advisor Closed End Funds  
An Important Notice Concerning Our U.S. Privacy Policy (unaudited)

We are required by federal law to provide you with a copy of our Privacy Policy annually.

The following Policy applies to current and former individual investors in Morgan Stanley Advisor closed end funds. This Policy is not applicable to partnerships, corporations, trusts or other non-individual clients or account holders. Please note that we may amend this Policy at any time, and will inform you of any changes to this Policy as required by law.

We Respect Your Privacy

We appreciate that you have provided us with your personal financial information. We strive to maintain the privacy of such information while we help you achieve your financial objectives. This Policy describes what non-public personal information we collect about you, why we collect it, and when we may share it with others. We hope this Policy will help you understand how we collect and share non-public personal information that we gather about you. Throughout this Policy, we refer to the non-public information that personally identifies you or your accounts as “personal information.”

1. What Personal Information Do We Collect About You?

To serve you better and manage our business, it is important that we collect and maintain accurate information about you. We may obtain this information from applications and other forms you submit to us, from your dealings with us, from consumer reporting agencies, from our Web sites and from third parties and other sources.

For example:

We may collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through applications and other forms you submit to us.

We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.

We may obtain information about your creditworthiness and credit history from consumer reporting agencies.

We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.

If you interact with us through our public and private Web sites, we may collect information that you provide directly through online communications (such as an e-mail address). We may also collect information about your Internet service provider, your domain name, your computer’s operating system and Web browser, your use of our Web sites and your product and service preferences, through the use of



Morgan Stanley Insured Municipal Income Trust

Morgan Stanley Advisor Closed End Funds

An Important Notice Concerning Our U.S. Privacy Policy (unaudited) continued

“cookies.”

“Cookies” recognize your computer each time you return to one of our sites, and help to improve our sites’ content and personalize your experience on our sites by, for example, suggesting offerings that may interest you. Please consult the Terms of Use of these sites for more details on our use of cookies.

## 2. When Do We Disclose Personal Information We Collect About You?

To provide you with the products and services you request, to serve you better and to manage our business, we may disclose personal information we collect about you to our affiliated companies and to non-affiliated third parties as required or permitted by law.

**A. Information We Disclose to Our Affiliated Companies.** We do not disclose personal information that we collect about you to our affiliated companies except to enable them to provide services on our behalf or as otherwise required or permitted by law.

**B. Information We Disclose to Third Parties.** We do not disclose personal information that we collect about you to non-affiliated third parties except to enable them to provide services on our behalf, to perform joint marketing agreements with other financial institutions, or as otherwise required or permitted by law. For example, some instances where we may disclose information about you to nonaffiliated third parties include: for servicing and processing transactions, to offer our own products and services, to protect against fraud, for institutional risk control, to respond to judicial process or to perform services on our behalf. When we share personal information with these companies, they are required to limit their use of personal information to the particular purpose for which it was shared and they are not allowed to share personal information with others except to fulfill that limited purpose.

## 3. How Do We Protect the Security and Confidentiality of Personal Information We Collect About You?

We maintain physical, electronic and procedural security measures to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information. Third parties that provide support or marketing services on our behalf may also receive personal information, and we require them to adhere to confidentiality standards with respect to such information.

Trustees

Frank L. Bowman  
Michael Bozic  
Kathleen A. Dennis  
James F. Higgins  
Dr. Manuel H. Johnson  
Joseph J. Kearns  
Michael F. Klein  
Michael E. Nugent  
W. Allen Reed  
Fergus Reid

Officers

Michael E. Nugent  
*Chairperson of the Board*

Ronald E. Robison  
*President and Principal Executive Officer*

Kevin Klingert  
*Vice President*

Dennis F. Shea  
*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

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078

Independent Registered Public Accounting Firm

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

Legal Counsel

Clifford Chance US LLP  
31 West 52nd Street  
New York, New York 10019

Counsel to the Independent Trustees

Kramer Levin Naftalis & Frankel LLP  
1177 Avenue of the Americas  
New York, New York 10036

Investment Adviser

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

The financial statements included herein have been taken from the records of the Trust without examination by the independent auditors and accordingly they do not express an opinion thereon.

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IIMSAN  
IU08-03241p-Y04/08                      MORGAN STANLEY FUNDS

Morgan Stanley  
Insured Municipal  
Income Trust

Semiannual Report  
April 30, 2008





Item 2. Code of Ethics.

Not applicable for semiannual reports.

Item 3. Audit Committee Financial Expert.

Not applicable for semiannual reports.

Item 4. Principal Accountant Fees and Services

Not applicable for semiannual reports.

Item 5. Audit Committee of Listed Registrants.

Not applicable for semiannual reports.

Item 6.

Refer to Item 1.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable for semiannual reports.

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Applicable only to reports covering periods ending on or after December 31, 2005.

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Item 9. Closed-End Fund Repurchases

**REGISTRANT PURCHASE OF EQUITY SECURITIES**

**Period**

**(a) Total Number of Shares (or Units) Purchased**

**(b) Average Price Paid per Share (or Unit)**

**(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs**

**(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs**

November 1, – November 30, 2007

38,467

13.3661

N/A

N/A

December 1, – December 31, 2007

65,212

13.4803

N/A

N/A

January 1, – January 31, 2008

67,404

14.1717

N/A

N/A

February 1 – February 29, 2008

30,401

13.9576

N/A

N/A

March 1 – March 31, 2008

N/A

N/A

April 1, – April 30, 2008

N/A

N/A

Total

201,484

13.7439

N/A

N/A

Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 11. Controls and Procedures

(a) The Trust s/Fund s principal executive officer and principal financial officer have concluded that the Trust s/Fund s disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust/Fund in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, based upon such officers evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

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(b) There were no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits

(a) Code of Ethics Not applicable for semiannual reports.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto as part of EX-99.CERT.





**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Morgan Stanley Insured Municipal Income Trust

/s/ Ronald E. Robison

Ronald E. Robison  
Principal Executive Officer  
June 19, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Ronald E. Robison

Ronald E. Robison  
Principal Executive Officer  
June 19, 2008

/s/ Francis Smith

Francis Smith  
Principal Financial Officer  
June 19, 2008



**EXHIBIT 12 B1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

**CERTIFICATIONS**

I, Ronald E. Robison, certify that:

1.

I have reviewed this report on Form N-CSR of Morgan Stanley Insured Municipal Income Trust;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

a)

designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)

designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)

evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the

filing date of this report based on such evaluation; and

d)

disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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5.

The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a)

all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: June 19, 2008,

/s/ Ronald E. Robison

Ronald E. Robison  
Principal Executive Officer

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**EXHIBIT 12 B2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

**CERTIFICATIONS**

I, Francis Smith, certify that:

1.

I have reviewed this report on Form N-CSR of Morgan Stanley Insured Municipal Income Trust;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

a)

designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)

designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)

evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the

filing date of this report based on such evaluation; and

d)

disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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5.

The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a)

all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: June 19, 2008

/s/ Francis Smith

Francis Smith  
Principal Financial Officer

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**SECTION 906 CERTIFICATION**

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

Morgan Stanley Insured Municipal Income Trust

In connection with the Report on Form N-CSR (the Report ) of the above-named issuer for the period ended April 30, 2008 that is accompanied by this certification, the undersigned hereby certifies that:

1.

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: June 19, 2008

/s/ Ronald E. Robison

Ronald E. Robison  
Principal Executive Officer

A signed original of this written statement required by Section 906 has been provided to Morgan Stanley Insured Municipal Income Trust and will be retained by Morgan Stanley Insured Municipal Income Trust and furnished to the Securities and Exchange Commission or its staff upon request.







**SECTION 906 CERTIFICATION**

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

Morgan Stanley Insured Municipal Income Trust

In connection with the Report on Form N-CSR (the Report ) of the above-named issuer for the period ended April 30, 2008 that is accompanied by this certification, the undersigned hereby certifies that:

1.

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: June 19, 2008

/s/ Francis Smith

Francis Smith  
Principal Financial Officer

A signed original of this written statement required by Section 906 has been provided to Morgan Stanley Insured Municipal Income Trust and will be retained by Morgan Stanley Insured Municipal Income Trust and furnished to the Securities and Exchange Commission or its staff upon request.

