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

Welcome, Shareholder:

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

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

Fund Report
For the year ended October 31, 2005

Market Conditions

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

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

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

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

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

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

Performance Analysis

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

Monthly dividends for the fourth quarter of 2005, declared in September, were unchanged at $0.0675 per share. The dividend reflects the current level of the Trust's net investment income. IIM's level of undistributed net investment income was $0.120 per share on October 31, 2005, versus $0.108 per share 12 months earlier.[1]

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

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

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

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

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

** A measure of the sensitivity of a bond's price to changes in interest rates, expressed in years. Each year of duration represents an expected 1 percent change in the price of a bond for every 1 percent change in interest rates. The longer a bond's duration, the greater the effect of interest-rate* *movements on its price. Typically, trusts with shorter durations perform better in rising-interest-rate environments, while trusts with longer durations perform better when rates decline.*

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

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

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

CREDIT ENHANCEMENTS	
Ambac	27.0%
FGIC	25.3
MBIA	24.2
FSA	21.1
XLCA	1.8
CIFG	0.6

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

For More Information About
Portfolio Holdings

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

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

Weighted Average Maturity: 18 Years [(a)]

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

Portfolio structure is subject to change.

Geographic Summary of Investments
Based on Market Value as a Percent of Total Investments

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

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

* Joint exemptions have been included in each geographic location.

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

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

Years Bonds Callable—Weighted Average Call Protection: 7 Years

Cost (Book) Yield (b) —Weighted Average Book Yield: 5.0%

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

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

Portfolio structure is subject to change.

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2005

PRINCIPAL AMOUNT IN		COUPON RATE	MATURITY DATE	VALUE

THOUSANDS					
		Tax-Exempt Municipal Bonds (141.6%)			
		General Obligation (9.3%)			
$	3,000	Los Angeles, California, Ser 2004 A (MBIA)	5.00%	09/01/24	$ 3,129,270
		District of Columbia,			
	5,000	Refg Ser 1993 B (Ambac)	5.50	06/01/09	5,339,450
	6,000	Refg Ser 1993 B (FSA)	5.50	06/01/10	6,487,020
	3,000	Massachusetts, Refg 2003 Ser D (Ambac)	5.50	10/01/19	3,382,380
		Pennsylvania,			
	1,495	First Ser 2003 RITES PA – 1112 A (MBIA)	6.571‡	01/01/18	1,657,611
	2,055	First Ser 2003 RITES PA – 1112 B (MBIA)	6.571‡	01/01/19	2,363,024
	4,000	Houston, Texas, Public Impr & Refg Ser 2001 B (FSA)	5.50	03/01/17	