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

Welcome, Shareholder:

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

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

Fund Report
For the year ended October 31, 2006

Market Conditions

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

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

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

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

Performance Analysis

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

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

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

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

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

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

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

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

The Trust's procedure for reinvesting all dividends and distributions in common shares is through purchases in the open market. This method helps support the

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

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

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

[1] Income earned by certain securities in the portfolio may be subject to the federal alternative minimum tax (AMT).
* *A measure of the sensitivity of a bond's price to changes in interest rates, expressed in years. Each year of duration represents an expected 1 percent change in the price of a bond for every 1 percent change in interest rates. The longer a bond's duration, the greater the effect of interest-rate movements on its price. Typically, trusts with shorter durations perform better in rising-interest-rate environments, while trusts with longer durations perform better when rates decline. Duration calculations are adjusted for leverage.*

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

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

Data as of October 31, 2006. Subject to change daily. All percentages for top five sectors are as a percentage of net assets applicable to common shareholders. All percentages for credit enhancements are as a percentage of total long-term investments. These data are provided for informational purposes only and should not be deemed a recommendation to buy or sell the securities mentioned. Morgan Stanley is a full-service securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services.

For More Information About Portfolio Holdings

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

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Distribution by Maturity
(% of Long-Term Portfolio) As of October 31, 2006

Weighted Average Maturity: 18 Years[(a)]

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

Portfolio structure is subject to change.

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

Arizona	0.8%
California	14.0

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

* Joint exemptions have been included in each geographic location.

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

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

Years Bonds Callable—Weighted Average Call Protection: 7 Years

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

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

(b) Cost or ‘‘book’’ yield is the annual income earned on a portfolio investment based on its original purchase price before the Trust’s operating expenses. For example, the Trust is earning a book yield of 6.1% on 1% of the long-term portfolio that is callable in 2007.

Portfolio structure is subject to change.

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2006

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

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

See Notes to Financial Statements

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Morgan Stanley Insured Municipal Income Trust

Portfolio of Investments October 31, 2006 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Lower Colorado River Authority, Texas,			
$ 10,000	Refg Ser 1999 A (FSA)	5.875%	05/15/16	$ 10,625,899
5,000	Refg Ser 2001 (FSA)	5.00	05/15/26	5,170,950
8,780	Refg Ser 2002 (MBIA)	5.00	05/15/31	9,165,091
5,000	Intermountain Power Agency, Utah, 2003 Ser A (FSA)	5.00	07/01/21	5,348,650
6,000	Cowlitz County Public Utility District # 1, Washington, Production Ser 2006 (MBIA)	5.00	09/01/31	6,360,720
77,280				