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MORGAN STANLEY INSURED MUNICIPAL TRUST

Form N-CSR

January 23, 2007

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: 811-06434

Morgan Stanley Insured Municipal Trust  
(Exact name of registrant as specified in charter)

1221 Avenue of the Americas, New York, New York 10020  
(Address of principal executive offices) (Zip code)

Ronald E. Robison  
1221 Avenue of the Americas, New York, New York 10020  
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-762-4000

Date of fiscal year end: October 31, 2006

Date of reporting period: October 31, 2006

Item 1 - Report to Shareholders

Welcome, Shareholder:

In this report, you'll learn about how your investment in Morgan Stanley Insured Municipal 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

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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 Trust (IMT) increased from \$15.23 to \$15.37 per share. Based on this change plus reinvestment of tax-free dividends totaling \$0.8025 per share and a long-term capital gain distribution of \$0.1255 per share, the Trust's total NAV return was 7.71 percent. IMT's value on the New York Stock Exchange (NYSE) moved from \$13.60 to \$14.26 per share during the same period. Based on this change plus reinvestment of dividends and distributions, the Trust's total market return was 11.91 percent. IMT's NYSE market price was at a 7.22 percent discount to its NAV. During the fiscal period, the Trust purchased and retired 592,600 shares of common stock at a weighted average market discount of 7.34 percent. Past performance is no guarantee of future results.

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Monthly dividends for the fourth quarter of 2006, declared in September, decreased from \$0.0675 to \$0.06 per share. The dividend reflects the current level of the Trust's net investment income. IMT's level of undistributed net investment income was \$0.046 per share on October 31, 2006, versus \$0.115 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 9.6

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years. To implement this strategy of reducing the portfolio's duration, 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 \$406 million, including preferred shares, were invested among 13 long-term sectors and 77 credits. As of the close of the period, the Trust's largest allocations were to the water and sewer, transportation, and general obligation 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 \$0.10 per share to common-share earnings. The Trust had 2 ARPS series totaling \$130 million, representing 32 percent of net assets, including preferred shares. ARPS rates ranged from 1.54 to 3.95 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

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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.

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PERFORMANCE DATA QUOTED REPRESENTS PAST PERFORMANCE, WHICH IS NO GUARANTEE OF FUTURE RESULTS, AND CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE FIGURES SHOWN. INVESTMENT RETURN, NET ASSET VALUE AND COMMON SHARE MARKET PRICE WILL FLUCTUATE AND TRUST SHARES, WHEN SOLD, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST.

There is no guarantee that any sectors mentioned will continue to perform as

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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

|                         |       |
|-------------------------|-------|
| Water & Sewer           | 36.9% |
| Transportation          | 34.8  |
| General Obligation      | 24.4  |
| Electric                | 15.1  |
| Recreational Facilities | 12.0  |

### CREDIT ENHANCEMENTS

|       |       |
|-------|-------|
| MBIA  | 27.2% |
| AMBAC | 26.8  |
| FGIC  | 23.1  |
| FSA   | 20.3  |
| XLCA  | 2.6   |

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.

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### 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,

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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.

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### DISTRIBUTION BY MATURITY

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

WEIGHTED AVERAGE MATURITY: 18 YEARS (A)

|       |       |
|-------|-------|
| 0-5   | 8.00  |
| 6-10  | 10.00 |
| 11-15 | 22.00 |
| 16-20 | 18.00 |
| 21-25 | 18.00 |
| 26-30 | 19.00 |
| 30+   | 5.00  |

(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

|                           |      |
|---------------------------|------|
| Alaska.....               | 2.2% |
| Arizona.....              | 0.8  |
| California.....           | 9.3  |
| Colorado.....             | 3.6  |
| District of Columbia..... | 1.1  |
| Florida.....              | 4.3  |
| Georgia.....              | 2.5  |
| Hawaii.....               | 4.1  |
| Illinois.....             | 11.9 |
| Indiana.....              | 0.8  |
| Iowa.....                 | 1.8  |
| Kentucky.....             | 3.7  |
| Louisiana.....            | 0.5  |
| Maryland.....             | 0.7  |
| Massachusetts.....        | 0.6  |
| Michigan.....             | 1.3  |
| Minnesota.....            | 3.2  |
| Missouri.....             | 0.6  |
| Nevada.....               | 3.2  |
| New Jersey.....           | 2.8  |
| New Mexico.....           | 0.4  |
| New York.....             | 8.0  |
| North Carolina.....       | 1.2  |
| Ohio.....                 | 2.6  |

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|                        |        |
|------------------------|--------|
| Oregon.....            | 0.5    |
| Pennsylvania.....      | 3.0    |
| South Carolina.....    | 4.6    |
| Texas.....             | 13.0   |
| Utah.....              | 0.8    |
| Virginia.....          | 0.8    |
| Washington.....        | 6.1    |
| Joint exemptions*..... | 0.0    |
|                        | -----  |
| Total+.....            | 100.0% |
|                        | =====  |

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\* Joint exemptions have been included in each geographic location.

+ Does not include open short futures contracts with an underlying face amount of \$19,240,313 with a total unrealized depreciation of \$155,182 and an interest rate swap contract with unrealized depreciation of \$155,167.

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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: 6 YEARS

|          |       |
|----------|-------|
| 2007 (a) | 3.00  |
| 2008     | 1.00  |
| 2009     | 6.00  |
| 2010     | 14.00 |
| 2011     | 16.00 |
| 2012     | 14.00 |
| 2013     | 6.00  |
| 2014     | 11.00 |
| 2015     | 10.00 |
| 2016+    | 19.00 |

COST (BOOK) YIELD (B) -- WEIGHTED AVERAGE BOOK YIELD: 5.2%

|          |      |
|----------|------|
| 2007 (a) | 6.60 |
| 2008     | 5.70 |
| 2009     | 5.80 |
| 2010     | 5.50 |
| 2011     | 5.50 |
| 2012     | 4.90 |
| 2013     | 4.80 |
| 2014     | 5.00 |
| 2015     | 4.70 |
| 2016+    | 4.90 |

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

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(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 6.6% on 3.0% of the long-term portfolio that is callable in 2007.

Portfolio structure is subject to change.

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Morgan Stanley Insured Municipal Trust  
 PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2006

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |   | COUPON<br>RATE | MATURITY<br>DATE | VA    |
|-------------------------------------|---|----------------|------------------|-------|
| -----                               |   |                |                  |       |
|                                     | Tax-Exempt Municipal Bonds (150.0%)   |                |                  |       |
|                                     | General Obligation (24.4%)  |                |                  |       |
| \$ 10,000                           | North Slope Borough, Alaska, Ser 2000 B (MBIA).....   | 0.00 %         | 06/30/10         | \$ 8, |
| 3,000                               | Los Angeles, California, Ser 2004 A (MBIA).....   | 5.00           | 09/01/24         | 3,    |
|                                     | Honolulu City & County, Hawaii,   |                |                  |       |
| 5,000                               | Ser 2003 A (MBIA)++.....  | 5.25           | 03/01/25         | 5,    |
| 5,000                               | Ser 2003 A (MBIA)++.....  | 5.25           | 03/01/26         | 5,    |
|                                     | Chicago, Illinois,  |                |                  |       |
| 8,000                               | Refg Ser 1992 (Ambac).....  | 6.25           | 01/01/11         | 8,    |
| 2,000                               | Refg 2001 A (MBIA).....   | 0.00@          | 01/01/21         | 1,    |
| 2,000                               | Refg 2001 A (MBIA).....   | 0.00@          | 01/01/22         | 1,    |
|                                     | Illinois,   |                |                  |       |
| 10,000                              | Ser 2001 (MBIA).....  | 5.375          | 04/01/15         | 11,   |
| 10,000                              | Ser 2001 (MBIA).....  | 5.375          | 04/01/16         | 11,   |
| 3,000                               | Brainerd Independent School District #181, Minnesota, Ser<br>2002 A (FGIC).....                   | 5.375          | 02/01/18         | 3,    |
| 4,000                               | Clark County, Nevada, Transportation Impr Ltd Tax Ser<br>06/01/92 B (Ambac).....                  | 6.50           | 06/01/17         | 4,    |
| 1,880                               | King County, Washington, Refg 1998 Ser B (MBIA).....  | 5.25           | 01/01/34         | 1,    |
|                                     | -----   |                |                  | 67,   |
| 63,880                              |   |                |                  | ----- |
|                                     | Educational Facilities Revenue (5.3%)   |                |                  |       |
| 2,000                               | Arizona Board of Regents, Arizona State University Ser<br>2004 COPs (Ambac).....                  | 5.00           | 09/01/30         | 2,    |
|                                     | University of California,   |                |                  |       |
| 1,000                               | Limited Projects Ser 2005 B (FSA).....  | 5.00           | 05/15/30         | 1,    |
| 2,000                               | Multi Purpose Ser Q (FSA).....  | 5.00           | 09/01/31         | 2,    |
| 1,735                               | Orange County Educational Facilities Authority, Florida,<br>Rollins College Ser 2005 (Ambac)..... | 5.125          | 12/01/28         | 1,    |
|                                     | Fulton County Development Authority, Georgia,   |                |                  |       |
| 900                                 | Morehouse College Ser 2000 (Ambac).....   | 6.25           | 12/01/21         |       |
| 1,700                               | Morehouse College Ser 2000 (Ambac).....   | 5.875          | 12/01/30         | 1,    |
| 2,500                               | University of North Carolina, Ser 2000 (Ambac).....   | 5.25           | 10/01/20         | 2,    |
| 2,000                               | University of North Carolina at Wilmington, Student<br>Housing Ser 2005 COPs (FGIC).....          | 5.00           | 06/01/36         | 2,    |
|                                     | -----   |                |                  |       |

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13,835

14,

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|       |   |      |          |    |
|-------|---|------|----------|----|
|       | Electric Revenue (15.1%)  |      |          |    |
| 2,000 | Arkansas River Power Authority, Colorado, Power Ser 2006 (XLCA).....                    | 5.25 | 10/01/40 | 2, |
| 2,000 | Missouri Joint Municipal Electrical Utility Commission, Plum Point Ser 2006 (MBIA)..... | 5.00 | 01/01/25 | 2, |
| 1,000 | Long Island Power Authority, New York, Ser 2006 A (XLCA).....                           | 5.00 | 12/01/26 | 1, |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
 PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2006 continued

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |   | COUPON<br>RATE | MATURITY<br>DATE | VA     |
|-------------------------------------|---|----------------|------------------|--------|
|                                     | -----   |                |                  |        |
| \$ 9,325                            | South Carolina Public Service Authority, Santee Cooper Ser 2002 B (FSA).....                                      | 5.375%         | 01/01/17         | \$ 10, |
| 2,000                               | Ser 2003 A (Ambac).....   | 5.00           | 01/01/27         | 2,     |
| 10,000                              | Lower Colorado River Authority, Texas, Refg Ser 1999 A (FSA).....   | 5.875          | 05/15/16         | 10,    |
| 3,000                               | Cowlitz County Public Utility District # 1, Washington, Production Ser 2006 (MBIA).....                           | 5.00           | 09/01/31         | 3,     |
| 10,000                              | Seattle, Washington, Light & Power Refg Rev 2001 (FSA)...   | 5.125          | 03/01/26         | 10,    |
|                                     | -----   |                |                  |        |
| 39,325                              |   |                |                  | 41,    |
|                                     | -----   |                |                  |        |
|                                     | Hospital Revenue (4.6%)   |                |                  |        |
| 3,000                               | Indiana Health Facilities Financing Authority, Community Health Ser 2005 A (Ambac).....                           | 5.00           | 05/01/35         | 3,     |
| 2,000                               | Louisiana Public Facilities Authority, Baton Rouge General Medical Center - FHA Insured Mtge Ser 2004 (MBIA)..... | 5.25           | 07/01/33         | 2,     |
| 4,000                               | Minneapolis, Minnesota, Fairview Health 2005 Ser D (Ambac).....   | 5.00           | 11/15/34         | 4,     |
| 2,000                               | New York State Dormitory Authority, Montefiore Hospital - FHA Insured Mtge Ser 2004 A (FGIC).....                 | 5.00           | 08/01/29         | 2,     |
| 1,000                               | Medical University South Carolina, Hospital Authority, FHA Insured Mtge Ser 2004 A (MBIA).....                    | 5.25           | 02/15/25         | 1,     |
|                                     | -----   |                |                  |        |
| 12,000                              |   |                |                  | 12,    |
|                                     | -----   |                |                  |        |
|                                     | Industrial Development/Pollution Control Revenue (4.3%)   |                |                  |        |
| 5,000                               | Humboldt County, Nevada, Sierra Pacific Power Co Refg Ser 1987 (Ambac).....                                       | 6.55           | 10/01/13         | 5,     |



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|        |  |       |          |     |
|--------|--|-------|----------|-----|
| 5,000  | New York State Energy Research & Development Authority,<br>Brooklyn Union Gas Co 1996 Ser (MBIA)**.....                              | 5.50  | 01/01/21 | 5,  |
| 1,500  | Delaware County Industrial Development Authority,<br>Pennsylvania, Aqua Inc Ser A 2005 (AMT) (FGIC).....                             | 5.00  | 11/01/37 | 1,  |
| -----  |  |       |          |     |
| 11,500 |  |       |          | 11, |
| -----  |  |       |          |     |
| 3,695  | Mortgage Revenue - Multi-Family (1.4%)<br>New Jersey Housing Mortgage Finance Authority, Home Buyer<br>Ser 2000 CC (AMT) (MBIA)..... | 5.875 | 10/01/31 | 3,  |
| -----  |  |       |          |     |
| 2,000  | Public Facilities Revenue (2.7%)<br>Kern County Board of Education, California, Refg 2006 Ser<br>A COPs (MBIA).....                  | 5.00  | 06/01/31 | 2,  |
| 1,500  | Albuquerque, New Mexico, Gross Receipts Lodgers' Tax Refg<br>Ser 2004 A (FSA).....   | 5.00  | 07/01/37 | 1,  |
| 1,685  | Oregon Department of Administrative Services, COPs Ser<br>2005 B (FGIC).....   | 5.00  | 11/01/24 | 1,  |
| 2,000  | Pennsylvania Public School Building Authority,<br>Philadelphia School District Ser 2003 (FSA).....                                   | 5.00  | 06/01/33 | 2,  |
| -----  |  |       |          |     |
| 7,185  |  |       |          | 7,  |
| -----  |  |       |          |     |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2006 continued

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |   | COUPON<br>RATE | MATURITY<br>DATE | VA    |
|-------------------------------------|---|----------------|------------------|-------|
| -----                               |   |                |                  |       |
| \$ 6,500                            | Recreational Facilities Revenue (12.0%)<br>Denver Convention Center Hotel Authority, Colorado, Refg<br>Ser 2006 (XLCA)..... | 5.00 %         | 12/01/35         | \$ 6, |
| 4,000                               | District of Columbia Ballpark, Ser 2006 B-1 (FGIC).....   | 5.00           | 02/01/31         | 4,    |
| 3,600                               | Iowa,<br>Vision Iowa Ser 2001 (MBIA).....   | 5.50           | 02/15/19         | 4,    |
| 2,500                               | Vision Iowa Ser 2001 (MBIA).....  | 5.50           | 02/15/20         | 2,    |
| 10,000                              | Hamilton County, Ohio, Sales Tax Ser 2000 (Ambac).....  | 5.25           | 12/01/32         | 10,   |
| 1,000                               | Omaha Convention Hotel Corporation, Nebraska, Ser 2002 A<br>(Ambac).....  | 5.50           | 04/01/18         | 1,    |
| 1,000                               | New York City Industrial Development Agency, New York,<br>Queens Baseball Stadium Ser 2006 (Ambac).....                     | 5.00           | 01/01/31         | 1,    |
| 2,000                               | Yankee Stadium Ser 2006 (FGIC).....   | 5.00           | 03/01/46         | 2,    |
| -----                               |   |                |                  |       |
| 30,600                              |   |                |                  | 33,   |

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|       |  |       |          |    |  |
|-------|--|-------|----------|----|--|
| ----- |  |       |          |    |  |
|       | Tax Allocation Revenue (0.9%)                            |       |          |    |  |
| 2,390 | San Jose Redevelopment Agency, California, Merged Area   |       |          |    |  |
| ----- | Ser 2002 (MBIA).....                                     | 5.00  | 08/01/32 | 2, |  |
|       | Transportation Facilities Revenue (34.8%)                |       |          |    |  |
| 5,000 | Denver City & County, Colorado, Airport Refg Ser 2000 A  |       |          |    |  |
|       | (AMT) (Ambac).....                                       | 6.00  | 11/15/18 | 5, |  |
|       | Miami Dade County, Florida,                              |       |          |    |  |
| 2,155 | Miami Int'l Airport Refg Ser 2003 B (AMT) (MBIA).....    | 5.25  | 10/01/18 | 2, |  |
| 2,270 | Miami Int'l Airport Refg Ser 2003 B (AMT) (MBIA).....    | 5.25  | 10/01/19 | 2, |  |
| 5,000 | Atlanta, Georgia, Airport Ser 2004 C (FSA).....          | 5.00  | 01/01/33 | 5, |  |
| 5,000 | Hawaii, Airports Refg Ser 2001 (AMT) (FGIC).....         | 5.25  | 07/01/21 | 5, |  |
| 4,000 | Regional Transportation Authority, Illinois, Refg Ser    |       |          |    |  |
|       | 1999 (FSA).....  | 5.75  | 06/01/21 | 4, |  |
|       | Chicago, Illinois,                                       |       |          |    |  |
| 3,000 | O'Hare Int'l Airport, Ser 2005 A (MBIA).....             | 5.25  | 01/01/25 | 3, |  |
| 2,000 | O' Hare Int'l Airport Third Lien Ser 2003 (AMT)          |       |          |    |  |
|       | (FSA).....   | 5.75  | 01/01/23 | 2, |  |
| 2,500 | Maryland Economic Development Corporation, Maryland      |       |          |    |  |
|       | Aviation Administration Ser 2003 (AMT) (FSA).....        | 5.375 | 06/01/22 | 2, |  |
| 8,000 | Massachusetts Turnpike Authority, Metropolitan Highway   |       |          |    |  |
|       | Ser 1997 A (MBIA)++.....                                 | 5.00  | 01/01/37 | 8, |  |
| 5,000 | Minneapolis - St Paul Metropolitan Airports Commission,  |       |          |    |  |
|       | Minnesota, Ser 2001 C (FGIC).....                        | 5.25  | 01/01/32 | 5, |  |
| 5,000 | Nevada Department of Business & Industry, Las Vegas      |       |          |    |  |
|       | Monorail 1st Tier Ser 2000 (Ambac).....                  | 0.00  | 01/01/21 | 2, |  |
| 2,000 | New Jersey Transportation Trust Fund Authority, Ser 2005 |       |          |    |  |
|       | C (FGIC).....  | 5.25  | 06/15/20 | 2, |  |
| 5,000 | New Jersey Turnpike Authority, Ser 2003 A (Ambac).....   | 5.00  | 01/01/30 | 5, |  |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
 PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2006 continued

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE | VA    |
|-------------------------------------|--|----------------|------------------|-------|
| -----                               |  |                |                  |       |
|                                     | Metropolitan Transportation Authority, New York,   |                |                  |       |
| \$ 6,805                            | State Service Contract Refg Ser 2002 B (MBIA)..... | 5.50 %         | 07/01/20         | \$ 7, |
| 10,000                              | Transportation Refg Ser 2002 A (Ambac).....        | 5.50           | 11/15/17         | 11,   |
| 2,000                               | Transportation Refg Ser 2002 A (FGIC).....         | 5.00           | 11/15/25         | 2,    |
|                                     | Pennsylvania Turnpike Commission,                  |                |                  |       |
| 4,000                               | Ser R 2001 (Ambac).....                            | 5.00           | 12/01/26         | 4,    |
| 4,000                               | Ser A 2004 (Ambac).....                            | 5.00           | 12/01/34         | 4,    |
| 3,000                               | Harris County, Texas, Toll Road Sr Lien Ser 2005 A |                |                  |       |
|                                     | (FSA).....   | 5.25           | 08/15/35         | 3,    |
|                                     | Port of Seattle, Washington, Passenger Facility    |                |                  |       |
| 4,010                               | Ser 1998 A (MBIA)++.....                           | 5.00           | 12/01/23         | 4,    |
| 2,500                               | Ser 2001 B (AMT) (MBIA).....                       | 5.625          | 02/01/24         | 2,    |
| -----                               |  |                |                  |       |

96,

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92,240

| PRINCIPAL AMOUNT IN THOUSANDS | DESCRIPTION  | COUPON RATE | MATURITY DATE | VA  |
|-------------------------------|--|-------------|---------------|-----|
|                               | Water & Sewer Revenue (36.9%)  |             |               |     |
| 1,000                         | Phoenix Civic Improvement Corporation, Arizona, Jr Lien Wastewater Ser 2004 (MBIA).....                          | 5.00        | 07/01/27      | 1,  |
| 4,000                         | Eastern Municipal Water District, California, Water & Sewer Refg Ser 2006 A COPs (MBIA).....                     | 5.00        | 07/01/32      | 4,  |
| 5,000                         | Los Angeles Department Water & Power, California, 2006 Ser A-1 (Ambac).....                                      | 5.00        | 07/01/40      | 5,  |
| 2,000                         | Sacramento County Sanitation Districts Financing Authority, California, Sacramento Regional Ser 2006 (FGIC)..... | 5.00        | 12/01/36      | 2,  |
| 5,000                         | San Diego County Water Authority, California, Ser 2004 A COPs (FSA).....   | 5.00        | 05/01/29      | 5,  |
| 10,000                        | Tampa Bay Water, Florida, Ser 2001 B (FGIC).....   | 5.00        | 10/01/31      | 10, |
| 2,000                         | Atlanta, Georgia, Water & Wastewater Ser 1999 A (FGIC)...  | 5.00        | 11/01/29      | 2,  |
| 10,000                        | Louisville & Jefferson County Metropolitan Sewer District, Kentucky, Ser 1999 A (FGIC).....                      | 5.75        | 05/15/33      | 10, |
| 3,800                         | Louisville Board of Water Works, Kentucky, Water Ser 2000 (FSA).....   | 5.50        | 11/15/25      | 4,  |
| 5,000                         | Detroit, Michigan, Sewage Disposal Ser 2001 A (FGIC).....  | 5.125       | 07/01/31      | 5,  |
| 5,000                         | Grand Strand Water & Sewer Authority, South Carolina, Refg Ser 2001 (FSA).....                                   | 5.00        | 06/01/31      | 5,  |
|                               | Austin, Texas,   |             |               |     |
| 10,000                        | Water & Wastewater Refg Ser 2001 A & B (FSA)++.....  | 5.125       | 05/15/27      | 10, |
| 2,000                         | Water & Wastewater Ser 2004 A (Ambac).....   | 5.00        | 11/15/27      | 2,  |
| 15,000                        | Houston, Texas, Combined Utility First Lien Refg 2004 Ser A (FGIC).....  | 5.25        | 05/15/23      | 16, |
|                               | San Antonio, Texas,  |             |               |     |
| 2,000                         | Water & Refg Ser 2002 (FSA).....   | 5.50        | 05/15/18      | 2,  |
| 2,500                         | Water & Refg Ser 2002 (FSA).....   | 5.50        | 05/15/20      | 2,  |
| 2,000                         | Water & Refg Ser 2002 A (FSA).....   | 5.00        | 05/15/32      | 2,  |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
 PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2006 continued

| PRINCIPAL AMOUNT IN THOUSANDS | DESCRIPTION   | COUPON RATE | MATURITY DATE | VA    |
|-------------------------------|---|-------------|---------------|-------|
|                               | Wichita Falls, Texas,                                 |             |               |       |
| \$ 2,000                      | Water & Sewer Ser 2001 (Ambac).....                   | 5.375%      | 08/01/20      | \$ 2, |
| 3,000                         | Water & Sewer Ser 2001 (Ambac).....                   | 5.375       | 08/01/24      | 3,    |
| 5,000                         | King County, Washington, Sewer Refg 2001 (FGIC).....  | 5.00        | 01/01/31      | 5,    |
|                               |   |             |               |       |
| 96,300                        |   |             |               | 101,  |
|                               | Other Revenue (3.3%)                                  |             |               |       |
| 2,500                         | California, Economic Recovery, Ser 2004 A (MBIA)..... | 5.00        | 07/01/15      | 2,    |
| 6,000                         | Golden State Tobacco Securitization Corporation,      |             |               |       |

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|         |  |       |           |       |
|---------|--|-------|-----------|-------|
|         | California, Enhanced Asset Backed Ser 2005 A (FGIC)....  | 5.00  | 06/01/38  | 6,    |
| -----   |  |       |           | ----- |
| 8,500   |  |       |           | 9,    |
| -----   |  |       |           | ----- |
|         | Refunded (4.3%)  |       |           |       |
| 5,000   | Honolulu City & County, Hawaii, Wastewater Ser 2001<br>(Ambac).....  | 5.125 | 07/01/11+ | 5,    |
| 3,000   | Utah Board of Regents, University of Utah - Huntsman<br>Cancer Institute Refg Ser 2000 A (MBIA).....                             | 5.50  | 04/01/10+ | 3,    |
| 3,000   | Alexandria Industrial Development Authority, Virginia,<br>Institute for Defense Analysis Ser 2000 A (Ambac).....                 | 5.90  | 10/01/10+ | 3,    |
| -----   |  |       |           | ----- |
| 11,000  |  |       |           | 11,   |
| -----   |  |       |           | ----- |
| 392,450 | Total Tax-Exempt Municipal Bonds (Cost \$390,573,418).....   |       |           | 414,  |
| -----   |  |       |           | ----- |
|         | Short-Term Tax-Exempt Municipal Obligations (3.2%)   |       |           |       |
| 2,600   | Illinois Finance Authority, Northwestern Memorial<br>Hospital Ser 2004 B-2 (Demand 11/01/06).....                                | 3.58* | 08/15/38  | 2,    |
| 200     | Missouri State Health & Education Facilities Authority,<br>BJC Health Ser 2005 B (Demand 11/01/06).....                          | 3.65* | 05/15/34  |       |
| 2,600   | North Central Texas Health Facility Development<br>Corporation, Presbyterian Medical Center Ser 1985 D<br>(Demand 11/01/06)..... | 3.60* | 12/01/15  | 2,    |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2006 continued

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE | VA    |
|-------------------------------------|--|----------------|------------------|-------|
| -----                               |  |                |                  | ----- |
| \$ 3,500                            | San Antonio Education Facilities Corporation, Texas,<br>Trinity University Ser 2002 (Demand 11/01/06).....   | 3.65*%         | 06/01/33         | \$ 3  |
| -----                               |  |                |                  | ----- |
| 8,900                               | Total Short-Term Tax-Exempt Municipal Obligations (Cost \$8,900,000).....  |                |                  | 8     |
| -----                               |  |                |                  | ----- |
| 401,350                             | Total Investments (Cost \$399,473,418) (a) (b).....  |                |                  | 422   |
| -----                               |  |                |                  | ----- |
| (22,760)                            | Floating Rate Note Obligations Related to Securities Held (-8.2%)<br>Notes with interest rates ranging from 3.60% to 3.61% at October<br>31, 2006<br>and contractual maturities of collateral ranging from 12/01/23 to<br>01/01/37 |                |                  |       |

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|           |   |        |        |
|-----------|---|--------|--------|
|           | (see Note 1D)++++ (Cost \$(22,760,000)).....      |        | (22)   |
| -----     |   |        | -----  |
| \$378,590 | Total Net Investments (Cost \$376,713,418).....   | 145.0% | 400    |
| =====     |   |        |        |
|           | Other Assets in Excess of Liabilities.....        | 2.1    | 5      |
|           | Preferred Shares of Beneficial Interest.....      | (47.1) | (130)  |
|           |   | -----  | -----  |
|           | Net Assets Applicable to Common Shareholders..... | 100.0% | \$ 275 |
|           |   | =====  | =====  |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
 PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2006 continued

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

- AMT Alternative Minimum Tax.
- COPs Certificates of Participation.
- FHA Federal Housing Authority.
- + Prerefunded to call date shown.
- @ Security is a "step-up" bond where the coupon increases on a predetermined future date.
- ++ Underlying security related to inverse floaters entered into by the Trust (See Note 1D).
- ++++ Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at October 31, 2006
- \* Current coupon of variable rate demand obligation.
- \*\* A portion of this security has been physically segregated in connection with open futures contracts in the amount of \$90,000.
- (a) Securities have been designated as collateral in an amount equal to \$19,150,792 in connection with open futures contracts and an open interest rate swap contract.
- (b) The aggregate cost for federal income tax purposes is \$376,707,995. The aggregate gross and net unrealized appreciation is \$23,440,831.

Bond Insurance:

- Ambac Ambac Assurance Corporation.
- FGIC Financial Guaranty Insurance Company.
- FSA Financial Security Assurance Inc.
- MBIA Municipal Bond Investors Assurance Corporation.
- XLCA XL Capital Assurance Inc.

FUTURES CONTRACTS OPEN AT OCTOBER 31, 2006:

| NUMBER OF | DESCRIPTION, DELIVERY | UNDERLYING FACE | UNREALIZED |
|-----------|-----------------------|-----------------|------------|
|-----------|-----------------------|-----------------|------------|

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| CONTRACTS                          | LONG/SHORT | MONTH AND YEAR                                | AMOUNT AT VALUE | DEPRECIATION |
|------------------------------------|------------|---|-----------------|--------------|
| 90                                 | Short      | U.S. Treasury Notes 5 Year,<br>December 2006  | \$ (9,500,625)  | \$ (53,685)  |
| 90                                 | Short      | U.S. Treasury Notes 10 Year,<br>December 2006 | (9,739,688)     | (101,497)    |
| Total Unrealized Depreciation..... |            |   |                 | \$ (155,182) |

INTEREST RATE SWAP CONTRACT OPEN AT OCTOBER 31, 2006:

| COUNTERPARTY          | NOTIONAL<br>AMOUNT<br>(000) | PAYMENTS<br>MADE BY TRUST | PAYMENTS<br>RECEIVED BY<br>TRUST                  | TERMINATION<br>DATE | UNREALIZED<br>DEPRECIATION |
|-----------------------|-----------------------------|---------------------------|---|---------------------|----------------------------|
| J.P. Morgan Chase Co. | \$10,000                    | Fixed Rate 3.85%          | Floating Rate BMA<br>(Bond Market<br>Association) | 12/19/16            | \$ (155,167)               |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
FINANCIAL STATEMENTS

Statement of Assets and Liabilities  
October 31, 2006

Assets:

|  |               |
|--|---------------|
| Investments in securities, at value<br>(cost \$399,473,418)..... | \$422,908,826 |
| Cash.....  | 19,893        |
| Interest receivable.....   | 6,306,161     |
| Prepaid expenses and other assets.....                           | 26,694        |
| Total Assets.....  | 429,261,574   |

Liabilities:

|  |            |
|--|------------|
| Unrealized depreciation on open swap contract.....           | 155,167    |
| Floating rate note obligations related to securities held... | 22,760,000 |
| Payable for:   |            |
| Investment advisory fee.....                                 | 95,889     |
| Common shares of beneficial interest repurchased.....        | 94,225     |
| Variation margin.....  | 68,906     |
| Administration fee.....                                      | 28,411     |
| Transfer agent fee.....                                      | 1,461      |
| Accrued expenses and other payables.....                     | 151,217    |
| Total Liabilities.....                                       | 23,355,276 |

Preferred shares of beneficial interest (at liquidation  
value) (1,000,000 shares authorized of

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|   |               |
|---|---------------|
| non-participating \$.01 par value, 2,600 shares<br>outstanding).....  | 130,026,848   |
|   | -----         |
| Net Assets Applicable to Common Shareholders.....   | \$275,879,450 |
|   | =====         |
| Composition of Net Assets Applicable to Common Shareholders:  |               |
| Common shares of beneficial interest (unlimited shares<br>authorized of \$.01 par value, 17,953,838 shares<br>outstanding)..... |               |
|   | 249,291,771   |
| Net unrealized appreciation.....  | 23,125,059    |
| Accumulated undistributed net investment income.....  | 819,999       |
| Accumulated undistributed net realized gain.....  | 2,642,621     |
|   | -----         |
| Net Assets Applicable to Common Shareholders.....   | \$275,879,450 |
|   | =====         |
| Net Asset Value Per Common Share  |               |
| (\$275,879,450 divided by 17,953,838 common shares<br>outstanding).....   |               |
|   | \$15.37       |
|   | =====         |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
FINANCIAL STATEMENTS

Statement of Operations  
For the year ended October 31, 2006

|   |              |
|---|--------------|
| Net Investment Income:                    |              |
| Interest Income.....                      | \$20,172,724 |
|   | -----        |
| Expenses                                  |              |
| Investment advisory fee.....              | 1,095,451    |
| Interest and residual trust expenses..... | 493,367      |
| Auction commission fees.....              | 343,351      |
| Administration fee.....                   | 324,578      |
| Professional fees.....                    | 78,542       |
| Shareholder reports and notices.....      | 40,050       |
| Auction agent fees.....                   | 22,207       |
| Listing fees.....                         | 20,489       |
| Transfer agent fees and expenses.....     | 10,337       |
| Trustees' fees and expenses.....          | 10,144       |
| Custodian fees.....                       | 17,448       |
| Other.....                                | 59,910       |
|   | -----        |
| Total Expenses.....                       | 2,515,874    |
| Less: expense offset.....                 | (9,718)      |
|   | -----        |
| Net Expenses.....                         | 2,506,156    |
|   | -----        |
| Net Investment Income.....                | 17,666,568   |
|   | -----        |
| Net Realized and Unrealized Gain:         |              |
| Realized Gain on:                         |              |
| Investments.....                          | 2,037,119    |
| Futures contracts.....                    | 1,551,488    |

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|   |              |
|---|--------------|
| Net Realized Gain.....  | 3,588,607    |
| Net Change in Unrealized Appreciation/Depreciation on:              |              |
| Investments.....  | 3,042,602    |
| Futures contracts.....  | (1,215,877)  |
| Swap contract.....  | (155,167)    |
| Net Appreciation.....   | 1,671,558    |
| Net Gain.....   | 5,260,165    |
| Dividends to preferred shareholders from net investment income..... | (4,281,484)  |
| Net Increase.....   | \$18,645,249 |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
FINANCIAL STATEMENTS continued

Statements of Changes in Net Assets

|   | FOR THE YEAR<br>ENDED<br>OCTOBER 31, 2006 | FOR THE YEAR<br>ENDED<br>OCTOBER 31, 2005 |
|---|---|---|
| Increase (Decrease) in Net Assets:  |   |   |
| Operations:   |   |   |
| Net investment income.....  | \$ 17,666,568                             | \$ 18,266,199                             |
| Net realized gain.....  | 3,588,607                                 | 3,567,557                                 |
| Net change in unrealized appreciation/depreciation.....                     | 1,671,558                                 | (10,204,841)                              |
| Dividends to preferred shareholders from net investment income.....         | (4,281,484)                               | (2,534,364)                               |
| Net Increase.....   | 18,645,249                                | 9,094,551                                 |
| Dividends and Distributions to Common Shareholders from:                    |   |   |
| Net investment income.....  | (14,581,080)                              | (15,352,983)                              |
| Net realized gain.....  | (2,320,371)                               | --  |
| Total Dividends and Distributions.....                                      | (16,901,451)                              | (15,352,983)                              |
| Decrease from transactions in common shares of beneficial interest.....     | (8,335,163)                               | (11,599,623)                              |
| Net Decrease.....   | (6,591,365)                               | (17,858,055)                              |
| Net Assets Applicable to Common Shareholders:                               |   |   |
| Beginning of period.....  | 282,470,815                               | 300,328,870                               |
| End of Period<br>(Including accumulated undistributed net investment income |   |   |



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|  |               |               |
|--|---------------|---------------|
| of \$819,999 and \$2,130,731, respectively)..... | \$275,879,450 | \$282,470,815 |
|  | =====         | =====         |

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See Notes to Financial Statements

Morgan Stanley Insured Municipal Trust  
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2006

## 1. Organization and Accounting Policies

Morgan Stanley Insured Municipal Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The Trust's investment objective is to provide current income which is exempt from federal income tax. The Trust was organized as a Massachusetts business trust on October 3, 1991 and commenced operations on February 28, 1992.

The following is a summary of significant accounting policies:

A. Valuation of Investments -- (1) portfolio securities are valued by an outside independent pricing service approved by the Trustees. The pricing service uses both a computerized grid matrix of tax-exempt securities and evaluations by its staff, in each case based on information concerning market transactions and quotations from dealers which reflect the mean between the last reported bid and asked price. The portfolio securities are thus valued by reference to a combination of transactions and quotations for the same or other securities believed to be comparable in quality, coupon, maturity, type of issue, call provisions, trading characteristics and other features deemed to be relevant. The Trustees believe that timely and reliable market quotations are generally not readily available for purposes of valuing tax-exempt securities and that the valuations supplied by the pricing service are more likely to approximate the fair value of such securities; (2) futures are valued at the latest sale price on the commodities exchange on which they trade unless it is determined that such price does not reflect their market value, in which case they will be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Trustees; (3) interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as unrealized appreciation or depreciation in the Statement of Operations and (4) short-term debt securities having a maturity date of more than sixty days at time of purchase are valued on a mark-to-market basis until sixty days prior to maturity and thereafter at amortized cost based on their value on the 61st day. Short-term debt securities having a maturity date of sixty days or less at the time of purchase are valued at amortized cost.

B. Accounting for Investments -- Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on security transactions are determined by the identified cost method. Discounts are accreted and premiums are amortized over the life of the respective securities. Interest income is accrued daily.

C. Futures Contracts -- A futures contract is an agreement between two parties to buy and sell financial instruments or contracts based on financial indices at a set price on a future date. Upon entering into such a contract, the Trust is required to pledge to the broker cash, U.S. Government

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Morgan Stanley Insured Municipal Trust

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NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2006 continued

securities or other liquid portfolio securities equal to the minimum initial margin requirements of the applicable futures exchange. Pursuant to the contract, the Trust agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments known as variation margin are recorded by the Trust as unrealized gains and losses. Upon closing of the contract, the Trust realizes a gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

D. Floating Rate Note Obligations Related to Securities Held -- The Trust enters into transactions in which it transfers to Dealer Trust ("Dealer Trust") fixed rate bonds in exchange for cash and residual interests in the Dealer Trust's assets and cash flows, which are in the form of inverse floating rate investments. The Dealer Trust funds 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 Trust which commit the Trust to pay the Dealer Trust, in certain circumstances, the difference between the liquidation value of the fixed rate bonds held by the Dealer Trust and the liquidation value of the floating rate notes held by third parties, as well as any shortfalls in interest cash flows. The residual interests held by the Trust (inverse floating rate investments) include the right of the Trust (1) to cause the holders of the floating rate notes to tender their notes at par at the next interest rate reset date, and (2) to transfer the municipal bond from the Dealer Trust to the Trust, thereby collapsing the Dealer Trust. The Trust accounts for the transfer of bonds to the Dealer Trust as secured borrowings, with the securities transferred remaining in the Trust's investment assets, and the related floating rate notes reflected as Trust liabilities under the caption "floating rate note obligations" on the Statement of Assets and Liabilities. The Trust records the interest income from the fixed rate bonds under the caption "Interest Income" and records the expenses related to floating rate note obligations and any administrative expenses of the dealer trusts under the caption "Interest and residual trust expenses" in the Trust's "Statement of Operations". The notes issued by the Dealer Trust have interest rates that reset weekly and the floating rate note holders have the option to tender their notes to the Dealer Trust for redemption at par at each reset date. At October 31, 2006, Trust investments with a value of \$33,287,550 are held by the Dealer Trust and serve as collateral for the \$22,760,000 in floating rate note obligations outstanding at that date. Contractual maturities of the floating rate note obligations and interest rates in effect at October 31, 2006 are presented in the "Portfolio of Investments".

E. Interest Rate Swaps -- Interest rate swaps involve the exchange of commitments to pay and receive interest based on a notional principal amount. Net periodic interest payments to be received

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Morgan Stanley Insured Municipal Trust  
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2006 continued

or paid are accrued daily and are recorded as realized gains or losses in the Statement of Operations.

F. Federal Income Tax Policy -- It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable and nontaxable income to its shareholders. Accordingly, no federal income tax provision is required.

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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 weekly total net assets including preferred shares.

Pursuant to an Administration Agreement with Morgan Stanley Services Company Inc. (the "Administrator"), an affiliate of the Investment Adviser, the Trust pays an administration fee, calculated weekly and payable monthly, by applying the annual rate of 0.08% to the Trust's weekly total net assets including preferred shares.

### 3. Security Transactions and Transactions With Affiliates

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the year ended October 31, 2006 aggregated \$57,356,695 and \$57,935,925, respectively. Included in the aforementioned transactions is a sale of \$1,036,720 with Morgan Stanley New York Tax-Free Income Fund, with a net realized gain of \$3,276.

Morgan Stanley Trust, an affiliate of the Investment Adviser and Administrator, is the Trust's transfer agent.

The Trust has an unfunded noncontributory defined benefit pension plan covering certain independent Trustees of the Trust who will have served as independent Trustees for at least five years at the time of retirement. Benefits under this plan are based on factors which include years of service and compensation. The Trustees voted to close the plan to new participants and eliminate the future benefits growth due to increases to compensation after July 31, 2003. Aggregate pension costs for

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Morgan Stanley Insured Municipal Trust  
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2006 continued

the year ended October 31, 2006 included in Trustees' fees and expenses in the Statement of Operations amounted to \$4,465. At October 31, 2006, the Trust had an accrued pension liability of \$56,537 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

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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 TU and TH Auction Rate Preferred Shares ("preferred shares") which have a liquidation value of \$50,000 per share plus the redemption premium, if any, plus accumulated but unpaid dividends, whether or not declared, thereon to the date of distribution. The Trust may redeem such shares, in whole or in part, at the original purchase price of \$50,000 per share plus accumulated but unpaid dividends, whether or not declared, thereon to the date of redemption.

Dividends, which are cumulative, are reset through auction procedures.

| SERIES | SHARES* | AMOUNT<br>IN THOUSANDS* | RATE* | RESET<br>DATE | RANGE OF<br>DIVIDEND RATES** |
|--------|---------|-------------------------|-------|---------------|------------------------------|
| TU     | 800     | \$40,000                | 3.50% | 11/08/06      | 1.54 - 3.95%                 |
| TH     | 1,800   | 90,000                  | 3.50  | 11/03/06      | 2.59 - 3.75                  |

\* As of October 31, 2006.

\*\* For the year ended October 31, 2006.

Subsequent to October 31, 2006 and up through December 1, 2006 the Trust paid dividends to Series TU and TH at rates ranging from 3.31% to 3.62% in the aggregate amount of \$405,730.

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.

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Morgan Stanley Insured Municipal Trust  
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2006 continued

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<br>PAID IN<br>EXCESS OF<br>PAR VALUE |
|---|------------|-----------|--|
| Balance, October 31, 2004.....                          | 19,386,980 | \$193,870 | \$269,032,6                                  |
| Treasury shares purchased and retired (weighted average |            |           |  |

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|   |            |           |             |
|---|------------|-----------|-------------|
| discount 10.73%)*.....  | (840,542)  | (8,405)   | (11,591,2   |
|   | -----      | -----     | -----       |
| Balance, October 31, 2005.....  | 18,546,438 | 185,465   | 257,441,4   |
| Treasury shares purchased and retired (weighted average discount 7.34%)*..... | (592,600)  | (5,926)   | (8,329,2    |
|   | -----      | -----     | -----       |
| Balance, October 31, 2006.....  | 17,953,838 | \$179,539 | \$249,112,2 |
|   | =====      | =====     | =====       |

-----  
 \* The Trustees have voted to retire the shares purchased.

### 6. Dividends to Common Shareholders

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

| AMOUNT<br>PER SHARE | RECORD<br>DATE           | PAYABLE<br>DATE   |
|---------------------|--------------------------|-------------------|
| -----               | -----                    | -----             |
| \$0.06              | November 3,<br>2006..... | November 17, 2006 |
| \$0.06              | December 8,<br>2006..... | December 22, 2006 |

### 7. Expense Offset

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

### 8. Purposes of and Risks Relating to Certain Financial Instruments

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

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Morgan Stanley Insured Municipal Trust  
 NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2006 continued

To hedge against adverse interest rate changes, the Trust may invest in financial futures contracts or municipal bond index futures contracts ("futures

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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.

### 9. Federal Income Tax Status

The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. Dividends and distributions which exceed net investment income and net realized capital gains for tax purposes are reported as distributions of paid-in-capital.

The tax character of distributions paid was as follows:

|                              | FOR THE YEAR<br>ENDED<br>OCTOBER 31, 2006 | FOR THE YEAR<br>ENDED<br>OCTOBER 31, 2005 |
|------------------------------|---|---|
|                              | -----                                     | -----                                     |
| Tax-exempt income.....       | \$18,887,056                              | \$17,996,031                              |
| Long-term capital gains..... | 2,320,367                                 | --  |
|                              | -----                                     | -----                                     |
| Total distributions.....     | \$21,207,423                              | \$17,996,031                              |
|                              | =====                                     | =====                                     |

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Morgan Stanley Insured Municipal Trust  
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2006 continued

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

|                                      |            |
|--------------------------------------|------------|
| Undistributed tax-exempt income..... | \$ 898,841 |
| Undistributed long-term gains.....   | 2,487,492  |
|                                      | -----      |
| Net accumulated earnings.....        | 3,386,333  |

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|                                  |              |
|----------------------------------|--------------|
| Temporary differences.....       | (84,318)     |
| Net unrealized appreciation..... | 23,285,664   |
|                                  | -----        |
| Total accumulated earnings.....  | \$26,587,679 |
|                                  | =====        |

As of October 31, 2006, the Trust had temporary book/tax differences primarily attributable to book amortization of discounts on debt securities, mark-to-market of open futures contracts and dividend payable and permanent book/tax differences primarily attributable to tax adjustments on debt securities sold by the Trust. To reflect reclassifications arising from the permanent differences, accumulated undistributed net investment income was charged and accumulated undistributed net realized gain was credited \$114,736.

### 10. New Accounting Pronouncements

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

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

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### Morgan Stanley Insured Municipal Trust FINANCIAL HIGHLIGHTS

Selected ratios and per share data for a common share of beneficial interest outstanding throughout each period:

|   | FOR THE YEAR ENDED |         |        |
|---|--------------------|---------|--------|
|   | 2006               | 2005    | 2004   |
| Selected Per Share Data:  |                    |         |        |
| Net asset value, beginning of period.....                                 | \$15.23            | \$15.49 | \$15.3 |
|   | -----              | -----   | -----  |
| Income (loss) from investment operations:                                 |                    |         |        |
| Net investment income*.....   | 0.97               | 0.96    | 0.9    |
| Net realized and unrealized gain (loss).....                              | 0.30               | (0.35)  | 0.1    |
| Common share equivalent of dividends paid to preferred shareholders*..... | (0.24)             | (0.13)  | (0.1)  |
|   | -----              | -----   | -----  |

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|  |           |           |          |
|--|-----------|-----------|----------|
| Total income from investment operations.....   | 1.03      | 0.48      | 1.0      |
|  | -----     | -----     | -----    |
| Less dividends and distributions from:   |           |           |          |
| Net investment income.....   | (0.80)    | (0.81)    | (0.8     |
| Net realized gain.....   | (0.13)    | --        | (0.0     |
|  | -----     | -----     | -----    |
| Total dividends and distributions.....   | (0.93)    | (0.81)    | (0.9     |
|  | -----     | -----     | -----    |
| Anti-dilutive effect of acquiring treasury shares*.....                                      | 0.04      | 0.07      | 0.0      |
|  | -----     | -----     | -----    |
| Net asset value, end of period.....  | \$15.37   | \$15.23   | \$15.4   |
|  | =====     | =====     | =====    |
| Market value, end of period.....   | \$14.26   | \$13.60   | \$13.8   |
|  | =====     | =====     | =====    |
| Total Return+.....   | 11.91%    | 3.86%     | 3.2      |
| Ratios to Average Net Assets of Common Shareholders:   |           |           |          |
| Total expenses (before expense offset).....  | 0.91% (1) | 0.78%     | 0.8      |
| Total expenses (before expense offset, exclusive of<br>Interest and residual trust expenses) | 0.74% (1) | 0.78%     | 0.8      |
| Net investment income before preferred stock dividends....                                   | 6.43%     | 6.24%     | 6.3      |
| Preferred stock dividends.....   | 1.56%     | 0.87%     | 0.6      |
| Net investment income available to common shareholders....                                   | 4.87%     | 5.37%     | 5.6      |
| Supplemental Data:   |           |           |          |
| Net assets applicable to common shareholders, end of<br>period, in thousands.....            | \$275,879 | \$282,471 | \$300,32 |
| Asset coverage on preferred shares at end of period.....                                     | 312%      | 317%      | 33       |
| Portfolio turnover rate.....   | 14%       | 14%       | 1        |
| -----  |           |           |          |

- \* The per share amounts were computed using an average number of common shares outstanding during the period.
- + Total return is based upon the current market value on the last day of each period reported. Dividends and distributions are assumed to be reinvested at the prices obtained under the Trust's dividend reinvestment plan. Total return does not reflect brokerage commissions.
- (1) Does not reflect the effect of expense offset of 0.01%.



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To the Shareholders and Board of Trustees of  
Morgan Stanley Insured Municipal Trust:

We have audited the accompanying statement of assets and liabilities of Morgan Stanley Insured Municipal Trust (the "Trust"), including the portfolio of investments, as of October 31, 2006, and the related statements of operations for the year then ended and changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2006, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Morgan Stanley Insured Municipal Trust as of October 31, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
New York, New York  
January 12, 2007

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Morgan Stanley Insured Municipal Trust  
SHAREHOLDER VOTING RESULTS (UNAUDITED)

On October 25, 2006, an annual meeting of the Trust's shareholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Trustees by all Shareholders:

| # OF SHARES |          |
|-------------|----------|
| FOR         | WITHHELD |
| -----       | -----    |

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|                         |            |        |
|-------------------------|------------|--------|
| Frank L. Bowman.....    | 14,547,286 | 88,298 |
| Kathleen A. Dennis..... | 14,551,940 | 83,644 |
| Wayne E. Hedien.....    | 14,558,233 | 77,351 |
| Joseph J. Kearns.....   | 14,560,192 | 75,392 |
| Michael F. Klein.....   | 14,552,723 | 82,861 |
| W. Allen Reed.....      | 14,540,989 | 94,595 |
| Fergus Reid.....        | 14,564,537 | 71,047 |

Election of Trustees by Preferred Shareholders:

|                            | # OF SHARES |          |
|----------------------------|-------------|----------|
|                            | FOR         | WITHHELD |
| Dr. Manuel H. Johnson..... | 2,402       | --       |
| Michael E. Nugent.....     | 2,402       | --       |

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

The following Trustees were not standing for reelection at this meeting: Michael Bozic, Edwin J. Garn and James F. Higgins.

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Morgan Stanley Insured Municipal Trust  
REVISED INVESTMENT POLICY (UNAUDITED)

THE TRUSTEES APPROVED THE FOLLOWING INVESTMENT POLICY:

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

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foregoes the benefit of an interest rate decline below the minimum amount.

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

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Morgan Stanley Insured Municipal Trust  
REVISED INVESTMENT POLICY (UNAUDITED) continued

collars, it will segregate cash and/or liquid securities having an aggregate net asset value at least equal to the full amount, accrued on a daily basis, of the Trust's net obligations with respect to the caps, floors or collars. The use of interest rate swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Adviser is incorrect in its forecasts of the market values, interest rates and other applicable factors, the investment performance of the Trust would diminish compared with what it would have been if these investment techniques were not used. The use of interest rate swaps, caps, collars and floors may also have the effect of shifting the recognition of income between current and future periods.

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

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Morgan Stanley Insured Municipal Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED)

Independent Trustees:

| Name, Age and Address of | Position(s)<br>Held with | Term of Office<br>and Length of | Principal Occupation(s) Dur |
|--------------------------|--------------------------|---------------------------------|-----------------------------|
|--------------------------|--------------------------|---------------------------------|-----------------------------|

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| Independent Trustee  | Registrant | Time Served*                                      | Past 5 Years   |
|--|------------|---|--|
| <p>Frank L. Bowman (61)<br/>                     c/o Kramer Levin Naftalis &amp; Frankel LLP<br/>                     Counsel to the Independent Trustees<br/>                     1177 Avenue of the Americas<br/>                     New York, NY 10036</p> | Trustee    | <p>Since August<br/>                     2006</p> | <p>President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (since February 2005); Director or Trustee of various Retail Funds and Institutional Funds (since August 2006) formerly variously, Admiral in the U.S. Navy, Director of Naval Nuclear Propulsion Program Deputy Administrator-Naval Reactors in the National Nuclear Security Administration at the U.S. Department of Energy (1996-2004). Honorary Knight Commander of the Most Excellent Order of the British Empire.</p>  |
| <p>Michael Bozic (65)<br/>                     c/o Kramer Levin Naftalis &amp; Frankel LLP<br/>                     Counsel to the Independent Trustees<br/>                     1177 Avenue of the Americas<br/>                     New York, NY 10036</p>   | Trustee    | <p>Since April<br/>                     1994</p>  | <p>Private investor; Chairperson of the Valuation, Insurance and Compliance Committee (since October 2006); Director or Trustee of the Retail Funds (since April 1994) and the Institutional Funds (since July 2003); formerly Chairperson of the Insurance Committee (July 2006-September 2006); Vice Chairman of Kmart Corporation (December 1998-October 2000), Chairman and Chief Executive Officer of Levitz Furniture Corporation (November 1995-November 1999) and President and Chief Executive Officer of Hills Department Stores (May 1991-July 1995); variously Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1999) of the Sears Merchandise Group of Sears, Roebuck &amp; Co.</p> |

| Name, Age and Address of Independent Trustee   | Other Directorships Held by Independent Trustee  |
|--|--|
| <p>Frank L. Bowman (61)<br/>                     c/o Kramer Levin Naftalis &amp; Frankel LLP<br/>                     Counsel to the Independent Trustees<br/>                     1177 Avenue of the Americas<br/>                     New York, NY 10036</p> | <p>Director of the National Energy Foundation, the U.S. Energy Association, the American Council for Capital Formation and the Armed Services YMCA of the USA.</p> |

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Michael Bozic (65) Director of various business  
 c/o Kramer Levin Naftalis & Frankel LLP organizations.  
 Counsel to the Independent Trustees  
 1177 Avenue of the Americas  
 New York, NY 10036

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Morgan Stanley Insured Municipal Trust  
 TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

| Name, Age and Address of Independent Trustee   | Position(s) Held with Registrant | Term of Office and Length of Time Served* | Principal Occupation(s) During Past 5 Years  |
|--|----------------------------------|---|--|
| Kathleen A. Dennis (53)<br>c/o Kramer Levin Naftalis & Frankel LLP<br>Counsel to the Independent Trustees<br>1177 Avenue of the Americas<br>New York, NY 10036 | Trustee                          | Since August 2006                         | President, Cedarwood Associates (mutual fund consulting) (since July 2006); Chairperson of the Money Market and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director, Trustee of various Retail Funds and Institutional Funds (since August 2006); former Senior Managing Director of Victory Capital Management (1993-2006).  |
| Edwin J. Garn (74)<br>1031 N. Chartwell Court<br>Salt Lake City, UT 84103  | Trustee                          | Since January 1993                        | Consultant; Director or Trustee of the Retail Funds (since January 1993) and the Institutional Funds (since July 2003); Member of the Utah Regional Advisory Board of Pacific Corp. (utility company); formerly Managing Director of Summit Ventures LLC (lobbying and consulting firm) (2000-2004); United States Senator (R-Utah) (1974-1992) and Chairman, Senate Banking Committee (1980-1986), Mayor of Salt Lake City, Utah (1971-1974) Astronaut, Space Shuttle Discovery (April 12-19, 1984) and Vice Chairman, Huntsman Corporation (chemical company). |
| Wayne E. Hedien (72)<br>c/o Kramer Levin Naftalis & Frankel LLP<br>Counsel to the Independent Trustees   | Trustee                          | Since September 1997                      | Retired; Director or Trustee of the Retail Funds; (Since September 1997) and the   |

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1177 Avenue of the Americas  
New York, NY 10036

Institutional Funds (since July 2003); formerly associated with the Allstat Companies (1966-1994), most recently as Chairman of The Allstate Corporation (March 1993-December 1994) and Chairman and Chief Executive Officer of its wholly-owned subsidiary, Allstate Insurance Company (July 1989-December 1994).

| Name, Age and Address of Independent Trustee  | Other Directorships Held by Independent Trustee   |
|---|---|
| <p>Kathleen A. Dennis (53)<br/>c/o Kramer Levin Naftalis &amp; Frankel LLP<br/>Counsel to the Independent Trustees<br/>1177 Avenue of the Americas<br/>New York, NY 10036<br/>Edwin J. Garn (74)<br/>1031 N. Chartwell Court<br/>Salt Lake City, UT 84103</p> | <p>None.</p> <p>Director of Franklin Covey (time management systems), BMW Bank of North America, Inc. (industrial loan corporation), Escrow Bank USA (industrial loan corporation); United Space Alliance (joint venture between Lockheed Martin and the Boeing Company) and Nuskin Asia Pacific (multilevel marketing); member of the board of various civic and charitable organizations.<br/>Director of The PMI Group Inc. (private mortgage insurance); Trustee and Vice Chairman of The Field Museum of Natural History; director of various other business and charitable organizations.</p> |
| <p>Wayne E. Hedien (72)<br/>c/o Kramer Levin Naftalis &amp; Frankel LLP<br/>Counsel to the Independent Trustees<br/>1177 Avenue of the Americas<br/>New York, NY 10036</p>  |   |

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Morgan Stanley Insured Municipal Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

| Name, Age and Address of Independent Trustee | Position(s) Held with Registrant | Term of Office and Length of Time Served* | Principal Occupation(s) During Past 5 Years |
|--|----------------------------------|---|---|
| <p>Dr. Manuel H. Johnson (57)</p>            | <p>Trustee</p>                   | <p>Since July</p>                         | <p>Senior Partner, Johnson Smi</p>          |

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c/o Johnson Smick Group, Inc.  
888 16th Street, N.W.  
Suite 740  
Washington, D.C. 20006

1991

International, Inc., (consulting firm); Chairperson of the Investment Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 1994) and the Institutional Funds (since July 2003); Co-Chairman and a founder of the Group Seven Council (G7C), an international economic commission; formerly Chairperson of the Audit Committee (July 1991-September 2006); Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.

Joseph J. Kearns (64)  
c/o Kearns & Associates LLC  
PMB754  
23852 Pacific Coast Highway  
Malibu, CA 90265

Trustee

Since July  
2003

President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of Retail Funds (since July 2003) and the Institutional Funds (since August 1994); formerly Deputy Chairperson of the Audit Committee (July 2003-September 2006) and Chairperson of the Audit Committee of the Institutional Funds (October 2001-July 2003); formerly CFO of the Paul Getty Trust.

Name, Age and Address of  
Independent Trustee

Other Directorships Held by  
Independent Trustee

-----  
Dr. Manuel H. Johnson (57)  
c/o Johnson Smick Group, Inc.  
888 16th Street, N.W.  
Suite 740  
Washington, D.C. 20006  
Joseph J. Kearns (64)  
c/o Kearns & Associates LLC  
PMB754  
23852 Pacific Coast Highway  
Malibu, CA 90265

-----  
Director of NVR, Inc. (home construction); Director of KFX Energy; Director of RBS Greenwich Capital Holdings (financial holding company).  
Director of Electro Rent Corporation (equipment leasing), The Ford Family Foundation, and the UCLA Foundation.

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Morgan Stanley Insured Municipal Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

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| Name, Age and Address of Independent Trustee   | Position(s) Held with Registrant | Term of Office and Length of Time Served* | Principal Occupation(s) During Past 5 Years  |
|--|----------------------------------|---|--|
| Michael F. Klein (47)<br>c/o Kramer Levin Naftalis & Frankel LLP<br>Counsel to the Independent Trustees<br>1177 Avenue of the Americas<br>New York, NY 10036 | Trustee                          | Since August 2006                         | Chief Operating Officer and Managing Director, Aetos Capital, LLC (since March 2000); Chairman of the Fixed-Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee (since August 2006) of various Retail Funds and Institutional Funds, formerly Managing Director, Morgan Stanley & Co. Inc. a Morgan Stanley Dean Witter Investment Management, President, Morgan Stanley Institutional Funds (June 1998-March 2000) and Principal, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management (August 1997-December 1999). |

|  |                                   |   |   |
|--|-----------------------------------|---|---|
| Michael E. Nugent (70)<br>c/o Triumph Capital, L.P.<br>445 Park Avenue<br>New York, NY 10022 | Chairman of the Board and Trustee | Chairman of the Board since July 2006 and Trustee since July 1991 | General Partner of Triumph Capital, L.P., a private investment partnership; Chairman of the Boards of Retail Funds and Institutional Funds (since July 2006) and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2001); formerly Chairperson of the Insurance Committee (until July 2006) Vice President, Bankers Trust Company and BT Capital Corporation (1984-1988). |
|--|-----------------------------------|---|---|

| Name, Age and Address of Independent Trustee   | Other Directorships Held by Independent Trustee                                 |
|--|---|
| Michael F. Klein (47)<br>c/o Kramer Levin Naftalis & Frankel LLP<br>Counsel to the Independent Trustees<br>1177 Avenue of the Americas<br>New York, NY 10036 | Director of certain investment funds managed or sponsored by Aetos Capital LLC. |
| Michael E. Nugent (70)<br>c/o Triumph Capital, L.P.<br>445 Park Avenue<br>New York, NY 10022   | None.   |



Morgan Stanley Insured Municipal Trust  
 TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

| Name, Age and Address of<br>Independent Trustee   | Position(s)<br>Held with<br>Registrant | Term of Office<br>and Length of<br>Time Served* | Principal Occupation(s) Dur<br>Past 5 Years   |
|---|--|---|---|
| W. Allen Reed (59)<br>c/o Kramer Levin Naftalis & Frankel LLP<br>Counsel to the Independent Trustees<br>1177 Avenue of the Americas<br>New York, NY 10036 | Trustee                                | Since August<br>2006                            | Chairperson of the Equity S<br>Committee of the Investment<br>Committee (since October 20<br>and Director or Trustee (si<br>August 2006) of various Ret<br>Funds and Institutional Fun<br>President and CEO of Genera<br>Motors Asset Management;<br>Formerly, Chairman and Chie<br>Executive Officer of the GM<br>Trust Bank and Corporate Vi<br>President of General Motors<br>Corporation (August 1994-<br>December 2005). |
| Fergus Reid (74)<br>c/o Lumelite Plastics Corporation<br>85 Charles Colman Blvd.<br>Pawling, NY 12564   | Trustee                                | Since July<br>2003                              | Chairman of Lumelite Plasti<br>Corporation; Chairperson of<br>the Governance Committee an<br>Director or Trustee of the<br>Retail Funds (since July 20<br>and the Institutional Funds<br>(since June 1992).   |

| Name, Age and Address of<br>Independent Trustee   | Other Directorships Held by<br>Independent Trustee   |
|---|--|
| W. Allen Reed (59)<br>c/o Kramer Levin Naftalis & Frankel LLP<br>Counsel to the Independent Trustees<br>1177 Avenue of the Americas<br>New York, NY 10036 | Director of GMAC (financial<br>services), GMAC Insurance<br>Holdings and Temple-Inland<br>Industries (Packaging, Banking<br>and forest products); member<br>of the Board of Executives of<br>the Morgan Stanley Capital<br>International Editorial Board;<br>Director of Legg Mason and<br>Director of various investment<br>fund advisory boards. |
| Fergus Reid (74)<br>c/o Lumelite Plastics Corporation<br>85 Charles Colman Blvd.<br>Pawling, NY 12564   | Trustee and Director of<br>certain investment companies<br>in the JPMorgan Funds complex<br>managed by J.P. Morgan<br>Investment Management Inc.   |

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Morgan Stanley Insured Municipal Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

Interested Trustee:

| Name, Age and Address of Interested Trustee  | Position(s) Held with Registrant | Term of Office and Length of Time Served* | Principal Occupation(s) During Past 5 Years  |
|--|----------------------------------|---|--|
| James F. Higgins (58)<br>c/o Morgan Stanley Trust<br>Harborside Financial Center<br>Plaza Two<br>Jersey City, NJ 07311 | Trustee                          | Since June 2000                           | Director or Trustee of the Retail Funds (since June 2000) and the Institutional Funds (since July 2003); Senior Advisor of Morgan Stanley (since August 2000). |

| Name, Age and Address of Interested Trustee  | Other Directorships Held by Interested Trustee  |
|--|---|
| James F. Higgins (58)<br>c/o Morgan Stanley Trust<br>Harborside Financial Center<br>Plaza Two<br>Jersey City, NJ 07311 | Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services). |

\* This is the earliest date the Trustee began serving the funds advised by Morgan Stanley Investment Advisors Inc. (the "Investment Adviser") (the "Retail Funds") or the funds advised by Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP (the "Institutional Funds").

\*\* The Fund Complex includes all open-end and closed-end funds (including all of their portfolios) advised by the Investment Adviser and any funds that have an investment adviser that is an affiliated person of the Investment Adviser (including, but not limited to, Morgan Stanley Investment Management Inc.) as of October 31, 2006.

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Morgan Stanley Insured Municipal Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

Executive Officers:

Term of

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| Name, Age and Address of Executive Officer   | Position(s) Held with Registrant          | Office and Length of Time Served*   | Principal Occupation(s) D  |
|--|---|---|--|
| Ronald E. Robison (67)<br>1221 Avenue of the Americas<br>New York, NY 10020  | President and Principal Executive Officer | President since September 2005 and Principal Executive Officer since May 2003 | President (since September 2005) Officer (since May 2003) of funds President (since September 2005) Officer (since May 2003) of the V Director, Director and/or Officer and various entities affiliated w Director of Morgan Stanley SICAV Executive Vice President (July 20 funds in the Fund Complex and the President and Director of the Ins 2001 to July 2003); Chief Adminis Investment Adviser; Chief Adminis Stanley Services Company Inc. |
| J. David Germany (52)<br>Morgan Stanley Investment Management Ltd.<br>25 Cabot Square<br>Canary Wharf, London<br>United Kingdom E144QA | Vice President                            | Since February 2006   | Managing Director and (since Dece Officer -- Global Fixed Income of Management; Managing Director and Investment Management Limited; Vi and Institutional Funds (since Fe  |
| Dennis F. Shea (53)<br>1221 Avenue of the Americas<br>New York, NY 10020   | Vice President                            | Since February 2006   | Managing Director and (since Febr Officer -- Global Equity of Morga Management; Vice President of the Funds (since February 2006). Form Director of Global Equity Researc  |
| Barry Fink (51)<br>1221 Avenue of the Americas<br>New York, NY 10020   | Vice President                            | Since February 1997   | Managing Director of Morgan Stanl Managing Director of the Investme entities affiliated with the Inve President of the Retail Funds and Institutional Funds. Formerly, Se and/or Director of the Investment entities affiliated with the Inve and General Counsel of the Retail  |
| Amy R. Doberman (44)<br>1221 Avenue of the Americas<br>New York, NY 10020  | Vice President                            | Since July 2004   | Managing Director and General Cou Management of Morgan Stanley Inve July 2004); Vice President of the Institutional Funds (since July 2 Van Kampen Funds (since August 20 February 2006) and Managing Direc the Investment Adviser and variou the Investment Adviser. Formerly, General Counsel -- Americas, UBS (July 2000 to July 2004).   |
| Carsten Otto (42)<br>1221 Avenue of the Americas<br>New York, NY 10020   | Chief Compliance Officer                  | Since October 2004  | Managing Director and U.S. Direct Stanley Investment Management (si Director and Chief Compliance Off Investment Management. Formerly, Assistant General Counsel of the  |
| Stefanie V. Chang Yu (39)<br>1221 Avenue of the Americas<br>New York, NY 10020   | Vice President                            | Since December 1997   | Executive Director of the Investm entities affiliated with the Inve President of the Retail Funds (si Institutional Funds (since Decemb  |

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Secretary of various entities aff  
Adviser.

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Morgan Stanley Insured Municipal Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

| Name, Age and Address of<br>Executive Officer  | Position(s)<br>Held with<br>Registrant      | Term of<br>Office and<br>Length of<br>Time Served*  | Principal Occupation(s) D  |
|--|---|---|--|
| Francis J. Smith (41)<br>c/o Morgan Stanley Trust<br>Harborside Financial Center<br>Plaza Two<br>Jersey City, NJ 07311 | Treasurer and<br>Chief Financial<br>Officer | Treasurer<br>since July<br>2003 and Chief<br>Financial<br>Officer since<br>September 2002 | Executive Director of the Investm<br>entities affiliated with the Inve<br>and Chief Financial Officer of th<br>2003). Formerly, Vice President o<br>(September 2002 to July 2003). |
| Mary E. Mullin (39)<br>1221 Avenue of the Americas<br>New York, NY 10020   | Secretary                                   | Since June<br>1999  | Executive Director of the Investm<br>entities affiliated with the Inve<br>of the Retail Funds (since July 2<br>Funds (since June 1999).  |

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

In accordance with Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Trust's Annual CEO Certification certifying as to compliance with NYSE's Corporate Governance Listing Standards was submitted to the Exchange on November 14, 2006.

The Trust's Principal Executive Officer and Principal Financial Officer Certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Trust's N-CSR and are available on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

2006 FEDERAL TAX NOTICE (UNAUDITED)

During the year ended October 31, 2006, the Trust paid the following per share amounts from tax-exempt income: \$0.82 to common shareholders, \$1,308 to Series TU preferred shareholders, and \$1,357 to Series TH preferred shareholders.

For the year ended October 31, 2006, the Trust paid the following per share amounts from long-term capital gains: \$0.11 to common shareholders, \$280 to Series TU preferred shareholders, and \$329 to Series TH preferred shareholders.

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TRUSTEES

Frank L. Bowman  
Michael Bozic  
Kathleen A. Dennis  
Edwin J. Garn  
Wayne E. Hedien  
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  
Chairman of the Board

Ronald E. Robison  
President and Principal Executive Officer

J. David Germany  
Vice President

Dennis F. Shea  
Vice President

Barry Fink  
Vice President

Amy R. Doberman  
Vice President

Carsten Otto  
Chief Compliance Officer

Stefanie V. Chang Yu  
Vice President

Francis J. Smith  
Treasurer and Chief Financial Officer

Mary E. Mullin  
Secretary

TRANSFER AGENT

Morgan Stanley Trust  
Harborside Financial Center, Plaza Two  
Jersey City, New Jersey 07311

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP  
Two World Financial Center

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New York, New York 10281

INVESTMENT ADVISER

Morgan Stanley Investment Advisors Inc.  
1221 Avenue of the Americas  
New York, New York 10020  
Investments and services offered through Morgan Stanley DW Inc., member SIPC.

(c) 2006 Morgan Stanley

[MORGAN STANLEY LOGO]

MORGAN STANLEY FUNDS

Morgan Stanley  
Insured Municipal  
Trust

Annual Report  
October 31, 2006

[MORGAN STANLEY LOGO]

RA06-01111P-Y10/06-IMTRPT-ANR

Item 2. Code of Ethics.

(a) The Trust has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Trust or a third party.

(b) No information need be disclosed pursuant to this paragraph.

(c) Not applicable.

(d) Not applicable.

(e) Not applicable.

(f)

(1) The Trust's Code of Ethics is attached hereto as Exhibit 12 A.

(2) Not applicable.

(3) Not applicable.

Item 3. Audit Committee Financial Expert.

The Trust's Board of Trustees has determined that Joseph J. Kearns, an "independent" Trustee, is an "audit committee financial expert" serving on its audit committee. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties,

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obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification.

### Item 4. Principal Accountant Fees and Services.

(a) (b) (c) (d) and (g). Based on fees billed for the periods shown:

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2006

|                          | REGISTRANT   | COVERED<br>ENTITIES (1) |
|--------------------------|--------------|-------------------------|
| AUDIT FEES .....         | \$31,200     | N/A                     |
| NON-AUDIT FEES           |              |                         |
| AUDIT-RELATED FEES ..    | \$ 6,096 (2) | \$5,217,590 (2)         |
| TAX FEES .....           | \$ 4,900 (3) | \$1,472,895 (4)         |
| ALL OTHER FEES .....     | \$ -- (5)    | \$ -- (5)               |
| TOTAL NON-AUDIT FEES ... | \$10,996     | \$6,690,485             |
| TOTAL .....              | \$42,196     | \$6,690,485             |

2005

|                          | REGISTRANT   | COVERED<br>ENTITIES (1) |
|--------------------------|--------------|-------------------------|
| AUDIT FEES .....         | \$30,448     | N/A                     |
| NON-AUDIT FEES           |              |                         |
| AUDIT-RELATED FEES ..    | \$ 6,105 (2) | \$3,215,745 (2)         |
| TAX FEES .....           | \$ 5,026 (3) | \$ 24,000 (4)           |
| ALL OTHER FEES .....     | \$ -- (5)    | \$ -- (5)               |
| TOTAL NON-AUDIT FEES ... | \$11,131     | \$3,239,745             |
| TOTAL .....              | \$41,579     | \$3,239,745             |

N/A- Not applicable, as not required by Item 4.

- (1) Covered Entities include the Adviser (excluding sub-advisors) and any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Registrant.
- (2) Audit-Related Fees represent assurance and related services provided that are reasonably related to the performance of the audit of the financial statements of the Covered Entities' and funds advised by the Adviser or its affiliates, specifically data verification and agreed-upon procedures related to asset securitizations and agreed-upon procedures engagements.

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- (3) Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the preparation and review of the Registrant's tax returns.
- (4) Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the review of Covered Entities' tax returns.
- (5) All other fees represent project management for future business applications and improving business and operational processes.

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(e)(1) The audit committee's pre-approval policies and procedures are as follows:

APPENDIX A

AUDIT COMMITTEE  
AUDIT AND NON-AUDIT SERVICES  
PRE-APPROVAL POLICY AND PROCEDURES  
OF THE  
MORGAN STANLEY RETAIL AND INSTITUTIONAL FUNDS

AS ADOPTED AND AMENDED JULY 23, 2004, (1)

### 1. STATEMENT OF PRINCIPLES

The Audit Committee of the Board is required to review and, in its sole discretion, pre-approve all Covered Services to be provided by the Independent Auditors to the Fund and Covered Entities in order to assure that services performed by the Independent Auditors do not impair the auditor's independence from the Fund.

The SEC has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the audit committee's administration of the engagement of the independent auditor. The SEC's rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services either: may be pre-approved without consideration of specific case-by-case services by the Audit Committee ("general pre-approval"); or require the specific pre-approval of the Audit Committee or its delegate ("specific pre-approval"). The Audit Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the Independent Auditors. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee (or by any member of the Audit Committee to which pre-approval authority has been delegated) if it is to be provided by the Independent Auditors. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers and provides a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the Independent Auditors without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add to or subtract from the list of general pre-approved services from time to time, based



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on subsequent determinations.

- 
- (1) This Audit Committee Audit and Non-Audit Services Pre-Approval Policy and Procedures (the "Policy"), adopted as of the date above, supersedes and replaces all prior versions that may have been adopted from time to time.

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The purpose of this Policy is to set forth the policy and procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the Independent Auditors to management.

The Fund's Independent Auditors have reviewed this Policy and believes that implementation of the Policy will not adversely affect the Independent Auditors' independence.

### 2. DELEGATION

As provided in the Act and the SEC's rules, the Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

### 3. AUDIT SERVICES

The annual Audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit and other procedures required to be performed by the Independent Auditors to be able to form an opinion on the Fund's financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Fund structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval to other Audit services, which are those services that only the Independent Auditors reasonably can provide. Other Audit services may include statutory audits and services associated with SEC registration statements (on Forms N-1A, N-2, N-3, N-4, etc.), periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Audit Committee has pre-approved the Audit services in Appendix B.1. All other Audit services not listed in Appendix B.1 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

### 4. AUDIT-RELATED SERVICES

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Fund's financial statements and, to the extent they are Covered Services, the Covered Entities or that are traditionally performed by the Independent Auditors. Because the Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on

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auditor independence, the Audit Committee may grant general pre-approval to Audit-related services. Audit-related services include, among others, accounting consultations related to accounting, financial reporting or disclosure matters

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not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements under Forms N-SAR and/or N-CSR.

The Audit Committee has pre-approved the Audit-related services in Appendix B.2. All other Audit-related services not listed in Appendix B.2 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

### 5. TAX SERVICES

The Audit Committee believes that the Independent Auditors can provide Tax services to the Fund and, to the extent they are Covered Services, the Covered Entities, such as tax compliance, tax planning and tax advice without impairing the auditor's independence, and the SEC has stated that the Independent Auditors may provide such services.

Pursuant to the preceding paragraph, the Audit Committee has pre-approved the Tax Services in Appendix B.3. All Tax services in Appendix B.3 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

### 6. ALL OTHER SERVICES

The Audit Committee believes, based on the SEC's rules prohibiting the Independent Auditors from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as All Other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

The Audit Committee has pre-approved the All Other services in Appendix B.4. Permissible All Other services not listed in Appendix B.4 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

### 7. PRE-APPROVAL FEE LEVELS OR BUDGETED AMOUNTS

Pre-approval fee levels or budgeted amounts for all services to be provided by the Independent Auditors will be established annually by the Audit Committee. Any proposed services exceeding these levels or amounts will require specific pre-approval by the Audit Committee. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services.

### 8. PROCEDURES

All requests or applications for services to be provided by the Independent Auditors that do not require specific approval by the Audit Committee will be

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submitted to the Fund's Chief Financial Officer and must include a detailed description of the services to be

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rendered. The Trust's Chief Financial Officer will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the Independent Auditors. Requests or applications to provide services that require specific approval by the Audit Committee will be submitted to the Audit Committee by both the Independent Auditors and the Trust's Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

The Audit Committee has designated the Trust's Chief Financial Officer to monitor the performance of all services provided by the Independent Auditors and to determine whether such services are in compliance with this Policy. The Trust's Chief Financial Officer will report to the Audit Committee on a periodic basis on the results of its monitoring. Both the Trust's Chief Financial Officer and management will immediately report to the chairman of the Audit Committee any breach of this Policy that comes to the attention of the Trust's Chief Financial Officer or any member of management.

### 9. ADDITIONAL REQUIREMENTS

The Audit Committee has determined to take additional measures on an annual basis to meet its responsibility to oversee the work of the Independent Auditors and to assure the auditor's independence from the Fund, such as reviewing a formal written statement from the Independent Auditors delineating all relationships between the Independent Auditors and the Trust, consistent with Independence Standards Board No. 1, and discussing with the Independent Auditors its methods and procedures for ensuring independence.

### 10. COVERED ENTITIES

Covered Entities include the Trust's investment adviser(s) and any entity controlling, controlled by or under common control with the Trust's investment adviser(s) that provides ongoing services to the Trust(s). Beginning with non-audit service contracts entered into on or after May 6, 2003, the Trust's audit committee must pre-approve non-audit services provided not only to the Trust but also to the Covered Entities if the engagements relate directly to the operations and financial reporting of the Trust. This list of Covered Entities would include:

Morgan Stanley Retail Funds

Morgan Stanley Investment Advisors Inc.

Morgan Stanley & Co. Incorporated

Morgan Stanley DW Inc.

Morgan Stanley Investment Management Inc.

Morgan Stanley Investment Management Limited

Morgan Stanley Investment Management Private Limited

Morgan Stanley Asset & Investment Trust Management Co., Limited

Morgan Stanley Investment Management Company

Van Kampen Asset Management

Morgan Stanley Services Company, Inc.

Morgan Stanley Distributors Inc.

Morgan Stanley Trust FSB

Morgan Stanley Institutional Funds

Morgan Stanley Investment Management Inc.  
Morgan Stanley Investment Advisors Inc.  
Morgan Stanley Investment Management Limited  
Morgan Stanley Investment Management Private Limited  
Morgan Stanley Asset & Investment Trust Management Co., Limited  
Morgan Stanley Investment Management Company  
Morgan Stanley & Co. Incorporated  
Morgan Stanley Distribution, Inc.  
Morgan Stanley AIP GP LP  
Morgan Stanley Alternative Investment Partners LP

(e) (2) Beginning with non-audit service contracts entered into on or after May 6, 2003, the audit committee also is required to pre-approve services to Covered Entities to the extent that the services are determined to have a direct impact on the operations or financial reporting of the Registrant. 100% of such services were pre-approved by the audit committee pursuant to the Audit Committee's pre-approval policies and procedures (attached hereto).

(f) Not applicable.

(g) See table above.

(h) The audit committee of the Board of Trustees has considered whether the provision of services other than audit services performed by the auditors to the Registrant and Covered Entities is compatible with maintaining the auditors' independence in performing audit services.

Item 5. Audit Committee of Listed Registrants.

(a) The Trust has a separately-designated standing audit committee established in accordance with Section 3(a) (58) (A) of the Exchange Act whose members are: Frank Bowman, Wayne Hedien, Joseph Kearns, Michael Nugent and Allen Reed.

(b) Not applicable.

Item 6.

See Item 1.

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

The Trust invests in exclusively non-voting securities and therefore this item is not applicable.

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

PORTFOLIO MANAGEMENT. As of the date of this report, the Trust is managed by members of the Municipal Fixed Income team. The team consists of portfolio

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managers and analysts. Current members of the team jointly and primarily responsible for the day-to-day management of the Trust's portfolio and the overall execution of the strategy of the Trust are James F. Willison, a Managing Director of the Investment Adviser, Joseph R. Arcieri, an Executive Director of the Investment Adviser and Robert W. Wimmel, a Vice President of the Investment Adviser.

Mr. Willison has been associated with the Investment Adviser in an investment management capacity since January 1980 and began managing the Trust at inception. Mr. Arcieri has been associated with the Investment Adviser in an investment management capacity since January 1986 and began managing the Trust in February 1997. Mr. Wimmel has been associated with the Investment Adviser in an investment management capacity since August 1996 and began managing the Trust in January 2002.

The composition of the team may change from time to time.

### OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS

The following information is as of October 31, 2006:

Mr. Willison managed 22 mutual funds with a total of approximately \$7.4 billion in assets; no pooled investment vehicles other than mutual funds; and no other accounts.

Mr. Arcieri managed 19 mutual funds with a total of approximately \$5.7 billion in assets; no pooled investment vehicles other than mutual funds; and no other accounts.

Mr. Wimmel managed 25 mutual funds with a total of approximately \$12.6 billion in assets; no pooled investment vehicles other than mutual funds; and no other accounts.

Because the portfolio managers manage assets for other investment companies, pooled investment vehicles, and/or other accounts (including institutional clients, pension plans and certain high net worth individuals), there may be an incentive to favor one client over another resulting in conflicts of interest. For instance, the Investment Adviser may receive fees from certain accounts that are higher than the fee it receives from the Trust, or it may receive a performance-based fee on certain accounts. In those instances, the portfolio manager may have an incentive to favor the higher and/or performance-based fee accounts over the Trust. The Investment Adviser has adopted trade allocation and

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other policies and procedures that it believes are reasonably designed to address these and other conflicts of interest.

### PORTFOLIO MANAGER COMPENSATION STRUCTURE

Portfolio managers receive a combination of base compensation and discretionary compensation, comprised of a cash bonus and several deferred compensation programs described below. The methodology used to determine portfolio manager compensation is applied across all funds/accounts managed by the portfolio manager.

**BASE SALARY COMPENSATION.** Generally, portfolio managers receive base salary compensation based on the level of their position with the Investment Adviser.

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DISCRETIONARY COMPENSATION. In addition to base compensation, portfolio managers may receive discretionary compensation.

Discretionary compensation can include:

- Cash Bonus.
- Morgan Stanley's Equity Incentive Compensation Program (EICP) awards -- a mandatory program that defers a portion of discretionary year-end compensation into restricted stock units or other awards based on Morgan Stanley common stock that are subject to vesting and other conditions.
- Investment Management Alignment Plan (IMAP) awards -- a mandatory program that defers a portion of discretionary year-end compensation and notionally invests it in designated Funds advised by the Investment Adviser or its affiliates. The award is subject to vesting and other conditions. Portfolio managers must notionally invest a minimum of 25% to a maximum of 100% of the IMAP deferral into a combination of the designated open-end mutual funds they manage that are included in the IMAP fund menu, which may or may not include the Trust.
- Voluntary Deferred Compensation Plans -- voluntary programs that permit certain employees to elect to defer a portion of their discretionary year-end compensation and directly or notionally invest the deferred amount: (1) across a range of designated investment Funds, including Funds advised by the Investment Adviser or its affiliates; and/or (2) in Morgan Stanley stock units.

Several factors determine discretionary compensation, which can vary by portfolio management team and circumstances. In order of relative importance, these factors include:

- Investment performance. A portfolio manager's compensation is linked to the pre-tax investment performance of the funds/accounts managed by the portfolio manager. Investment performance is calculated for one-, three- and five-year periods measured

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against a fund's/account's primary benchmark, indices and/or peer groups where applicable. Generally, the greatest weight is placed on the three- and five-year periods.

- Revenues generated by the investment companies, pooled investment vehicles and other accounts managed by the portfolio manager.
- Contribution to the business objectives of the Investment Adviser.
- The dollar amount of assets managed by the portfolio manager.
- Market compensation survey research by independent third parties.
- Other qualitative factors, such as contributions to client objectives.
- Performance of Morgan Stanley and Morgan Stanley Investment Management, and the overall performance of the investment team(s) of which the portfolio manager is a member.

SECURITIES OWNERSHIP OF PORTFOLIO MANAGERS

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As of October 31, 2006, the portfolio managers did not own any shares of the Trust.

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### Item 9. Closed-End Fund Repurchases

#### REGISTRANT PURCHASE OF EQUITY SECURITIES

| Period               | (a) Total<br>Number of<br>Shares (or<br>Units)<br>Purchased | (b) Average<br>Price Paid<br>per Share<br>(or Unit) | (c) Total<br>Number of<br>Shares (or<br>Units)<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | (d) Maximum Number<br>(or Approximate<br>Dollar Value) of<br>Shares (or Units)<br>that May Yet Be<br>Purchased Under<br>the Plans or<br>Programs |
|----------------------|---|---|--|--|
| -----                | -----   | -----   | -----  | -----  |
| November 1, 2005 --  |   |   |  |  |
| November 30, 2005    | 58,900  | \$13.5188   | N/A  | N/A  |
| December 1, 2005 --  |   |   |  |  |
| December 31, 2005    | 108,500   | 13.5217   | N/A  | N/A  |
| January 1, 2006 --   |   |   |  |  |
| January 31, 2006     | 137,000   | 14.1290   | N/A  | N/A  |
| February 1, 2006 --  |   |   |  |  |
| February 28, 2006    | 79,400  | 14.4662   | N/A  | N/A  |
| March 1, 2006 --     |   |   |  |  |
| March 31, 2006       | 52,100  | 14.4427   | N/A  | N/A  |
| April 1, 2006 --     |   |   |  |  |
| April 30, 2006       | 44,600  | 14.2293   | N/A  | N/A  |
| May 1, 2006 --       |   |   |  |  |
| May 31, 2006         | 35,400  | 14.1484   | N/A  | N/A  |
| June 1, 2006 --      |   |   |  |  |
| June 30, 2006        | 22,100  | 14.2363   | N/A  | N/A  |
| July 1, 2006 --      |   |   |  |  |
| July 31, 2006        | 3,500   | 14.2935   | N/A  | N/A  |
| August 1, 2006 --    |   |   |  |  |
| August 31, 2006      | --  | --  | N/A  | N/A  |
| September 1, 2006 -- |   |   |  |  |
| September 30, 2006   | 2,900   | 14.5938   | N/A  | N/A  |
| October 1, 2006 --   |   |   |  |  |
| October 31, 2006     | 48,200  | 14.3132   | N/A  | N/A  |
|                      | -----   | -----   |  |  |
| Total                | 592,600   | \$14.1721   | N/A  | N/A  |
|                      | =====   | =====   |  |  |

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

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Not applicable.

### Item 11. Controls and Procedures

a) The Trust's principal executive officer and principal financial officer have concluded that the Trust's disclosure controls and procedures are sufficient to provide reasonable assurance that information required to be disclosed by the Trust in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms or by the SEC staff, based upon such officers' evaluation of these controls and procedures as of January 12, which is a date within 90 days of the filing date of the report. The Trust's principal executive officer and principal financial officer have also concluded that the Trust's disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in this Form N-CSR is accumulated and communicated to the Trust's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure were effective.

Management of the Trust has determined that as of and prior to October 31, 2006, the Trust's fiscal year end, the Trust had a deficiency in its internal control over financial reporting related to the review, analysis and determination of whether certain transfers of municipal securities qualified for sale accounting under the provisions of Statement of Financial Accounting Standards No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." As a result, the Trust's independent registered public accountants advised the Trust that this control deficiency represented a material weakness in internal control over financial reporting as of October 31, 2006. Since October 31, 2006, and prior to the issuance of the Trust's annual report, management has revised its disclosure controls and procedures and its internal control over financial reporting in order to improve the controls' effectiveness to ensure that transactions in transfers of municipal securities are accounted for properly.

Management notes that other investment companies investing in similar investments over the same time periods had been accounting for such investments in a similar manner as the Trust. Accordingly, other investment companies are also concluding that there was a material weakness in their internal control over financial reporting of such investments. The changes in the Trust's financial statements did not impact the net asset value of the Trust's shares or the Trust's total return for any period.

(b) There were no changes in the Trust's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting. However, as discussed above, subsequent to October 31, 2006, the Trust's internal control over financial reporting was revised.

### Item 12. Exhibits

(a) The Code of Ethics for Principal Executive and Senior Financial Officers is attached hereto.

(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.



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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 Trust

/s/ Ronald E. Robison

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Ronald E. Robison  
Principal Executive Officer  
January 12, 2007

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

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Ronald E. Robison  
Principal Executive Officer  
January 12, 2007

/s/ Francis Smith

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Francis Smith  
Principal Financial Officer  
January 12, 2007