

MORGAN STANLEY INSURED CALIFORNIA MUNICIPAL SEC  
Form N-CSR  
January 04, 2006

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: 811-07111

Morgan Stanley Insured California Municipal Securities  
(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, 2005

Date of reporting period: October 31, 2005

Item 1 - Report to Shareholders

Welcome, Shareholder:

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

MARKET FORECASTS PROVIDED IN THIS REPORT MAY NOT NECESSARILY COME TO PASS. THERE IS NO ASSURANCE THAT THE TRUST WILL ACHIEVE ITS INVESTMENT OBJECTIVE. THE TRUST IS SUBJECT TO MARKET RISK, WHICH IS THE POSSIBILITY THAT MARKET VALUES OF SECURITIES OWNED BY THE TRUST WILL DECLINE AND, THEREFORE, THE VALUE OF THE TRUST'S SHARES MAY BE LESS THAN WHAT YOU PAID FOR THEM. ACCORDINGLY, YOU CAN LOSE MONEY INVESTING IN THIS TRUST.

FUND REPORT

For the year ended October 31, 2005

MARKET CONDITIONS

Throughout the 12-month period ended October 31, 2005, economic reports continued to show moderate growth, sustained consumer spending, and reasonable gains in employment. Although core inflation (which excludes food and energy)

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remained benign, inflationary concerns mounted during the summer as heavy demand and geopolitical events drove oil prices to protracted highs. September brought heightened uncertainty in the wake of the unprecedented devastation caused by Hurricanes Rita and Katrina. The immediate economic impact was a major disruption of the nation's energy infrastructure. However, in the weeks that followed, economists generally agreed that an initial slowdown would be followed by stimulus to growth from reconstruction.

The Federal Open Market Committee (the Fed) continued the "measured" rate tightening cycle it began in June of 2004, raising the federal funds target rate eight times during the 12-month period. As a result, the rate moved from 1.75 percent to 3.75 percent, a four-year high. Yet, as the period closed, signals from the Fed supported investors' expectations of additional increases.

Although yields on short maturity bonds rose in response to the Fed's actions, the yields of long-term municipal bonds were lower to unchanged. Representative yields on 30-year AAA rated municipal bonds declined from 4.60 percent at the start of the period to a low of 4.25 percent in the summer, returning to 4.60 percent at the end of October. Overall, the municipal yield curve continued to flatten and the yield spread (or differential between one-year rates and 30-year rates) narrowed.

Lower yields during most of the year led to a surge in refinancing activity, and municipal issuance remained strong. New issue volume increased by 12 percent to a record \$336 billion during the first 10 months of the calendar year. As issuers rushed to refinance higher cost debt, refundings increased to 35 percent of total issuance, up from 24 percent in the first 10 months of 2004. Bonds backed by insurance dominated issuance and increased their market penetration to nearly 60 percent. California issuers represented 15 percent of volume in 2005.

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

California's economic conditions continued to improve with defense and high tech sectors experiencing steady growth. On the fiscal front, this has led to stronger state revenues. The state also made progress in addressing some of its structural budget imbalances.

### PERFORMANCE ANALYSIS

For the 12-month period ended October 31, 2005, the net asset value (NAV) of Morgan Stanley Insured California Municipal Securities (ICS) decreased from \$15.35 to \$15.17 per share. ICS paid tax-free dividends totaling \$0.655 per share and a long-term capital gain distribution of \$0.127818 per share. The Trust's total NAV return was 4.49 percent. ICS's value on the New

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York Stock Exchange (NYSE) moved from \$13.96 to \$13.99 per share during the same period. Based on this change plus reinvestment of dividends and distributions, the Trust's total market return was 5.96 percent. On October 31, 2005, ICS's NYSE market price was at a 7.78 percent discount to its NAV. During the 12-month period ended October 31, 2005, the Trust purchased and retired 123,741 shares of common stock at a weighted average market discount of 7.99 percent. Past performance is no guarantee of future results.

Monthly dividends for the fourth quarter of 2005, declared in September, were

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decreased from \$0.055 to \$0.05 per share. The new dividend reflects the current level of the Trust's net investment income. ICS's level of undistributed net investment income was \$0.110 per share on October 31, 2005, versus \$0.132 per share 12 months earlier.(1)

During the period the Trust maintained a conservative strategy in anticipation of continued Fed tightening and higher interest rates. The Trust's duration\* (a measure of interest rate sensitivity) was positioned defensively throughout the period. Overall, this duration stance tempered total returns early in the fiscal period when rates declined, but helped total returns as rates rose. The Trust's option-adjusted duration was 7.0 years at the end of the reporting period. Consistent with a commitment to diversification, the Trust's net assets of \$54 million were invested among 12 long-term sectors and 41 credits.

The Trust's procedure for reinvesting all dividends and distributions on 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 investors that the Trustees have approved a procedure whereby the Trust may, when appropriate, purchase shares in the open market or in privately negotiated transactions at a price not above market value or NAV, whichever is lower at the time of purchase.

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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.

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

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

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

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### TOP FIVE SECTORS\*\*

Water & Sewer	20.1%
Tax Allocation	12.4%
Transportation	11.5%
General Obligation	9.9%
Refunded	9.6%

### CREDIT ENHANCEMENTS

AMBAC	35.1%
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FGIC	26.8%
FSA	24.3%
MBIA	11.8%
US Gov't Backed	2.0%

Data as of October 31, 2005. Subject to change daily. All percentages for top five sectors are as a percentage of net assets applicable to common shareholders. All percentages for credit enhancements are as a percentage of net assets applicable to common shareholders. 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.

\*\* Does not include open short future contracts with an underlying face amount of \$6,379,063 with unrealized appreciation of \$106,069.

### FOR MORE INFORMATION ABOUT PORTFOLIO HOLDINGS

EACH MORGAN STANLEY TRUST PROVIDES A COMPLETE SCHEDULE OF PORTFOLIO HOLDINGS IN ITS SEMIANNUAL AND ANNUAL REPORTS WITHIN 60 DAYS OF THE END OF THE TRUST'S SECOND AND FOURTH FISCAL QUARTERS BY FILING THE SCHEDULE ELECTRONICALLY WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC). THE SEMIANNUAL REPORTS ARE FILED ON FORM N-CSRS AND THE ANNUAL REPORTS ARE FILED ON FORM N-CSR. MORGAN STANLEY ALSO DELIVERS THE SEMIANNUAL AND ANNUAL REPORTS TO TRUST SHAREHOLDERS AND MAKES THESE REPORTS AVAILABLE ON ITS PUBLIC WEB SITE, WWW.MORGANSTANLEY.COM. EACH MORGAN STANLEY TRUST ALSO FILES A COMPLETE SCHEDULE OF PORTFOLIO HOLDINGS WITH THE SEC FOR THE TRUST'S FIRST AND THIRD FISCAL QUARTERS ON FORM N-Q. MORGAN STANLEY DOES NOT DELIVER THE REPORTS FOR THE FIRST AND THIRD FISCAL QUARTERS TO SHAREHOLDERS, NOR ARE THE REPORTS POSTED TO THE MORGAN STANLEY PUBLIC WEB SITE. YOU MAY, HOWEVER, OBTAIN THE FORM N-Q FILINGS (AS WELL AS THE FORM N-CSR AND N-CSRS FILINGS) BY ACCESSING THE SEC'S WEB SITE, HTTP://WWW.SEC.GOV. YOU MAY ALSO REVIEW AND COPY THEM AT THE SEC'S PUBLIC REFERENCE ROOM IN WASHINGTON, DC. INFORMATION ON THE OPERATION OF THE SEC'S PUBLIC REFERENCE ROOM MAY BE OBTAINED BY CALLING THE SEC AT (800) SEC-0330. YOU CAN ALSO REQUEST COPIES OF THESE MATERIALS, UPON PAYMENT OF A DUPLICATING FEE, BY ELECTRONIC REQUEST AT THE SEC'S E-MAIL ADDRESS (PUBLICINFO@SEC.GOV) OR BY WRITING THE PUBLIC REFERENCE SECTION OF THE SEC, WASHINGTON, DC 20549-0102.

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### DISTRIBUTION BY MATURITY

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

### WEIGHTED AVERAGE MATURITY: 19 YEARS(A)

0-5	0.00
6-10	5.00
11-15	26.00
16-20	21.00
21-25	30.00
26-30	16.00
30+	2.00

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

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Portfolio structure is subject to change.

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## CALL AND COST (BOOK) YIELD STRUCTURE (Based on Long-Term Portfolio) As of October 31, 2005

YEARS BONDS CALLABLE -- WEIGHTED AVERAGE CALL PROTECTION: 7 YEARS

2005 (a)	9
2006	1
2007	0
2008	0
2009	2
2010	6
2011	18
2012	13
2013	23
2014	13
2015+	15

COST (BOOK) YIELD (B) -- WEIGHTED AVERAGE BOOK YIELD: 5.0%

2005 (a)	6.2
2006	6.5
2007	0
2008	0
2009	5.9
2010	5.2
2011	5.1
2012	4.9
2013	4.8
2014	4.9
2015+	4.4

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

(b) Cost or "book" yield is the annual income earned on a portfolio investment based on its original purchase price before the Trust's operating expenses. For example, the Trust is earning a book yield of 6.2% on 9% of the long-term portfolio that is callable in 2005. Portfolio structure is subject to change.

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Morgan Stanley Insured California Municipal Securities  
PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2005

PRINCIPAL  
AMOUNT IN  
THOUSANDS

COUPON  
RATE MATURITY  
DATE

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	California Tax-Exempt Municipal Bonds (96.8%)			
	General Obligation (9.9%)			
\$ 505	California, Various Purpose Dtd 03/01/94 (FSA).....	5.50 %	03/01/20	\$
1,280	Huntington Beach Union High School District, Ser 2004			
	(FSA).....	5.00	08/01/26	1,
1,030	Los Angeles, Ser 2004 A (MBIA).....	5.00	09/01/24	1,
1,000	Upland School District, Election 2000 Ser 2001 B (FSA)....	5.125	08/01/25	1,
1,375	Washington Unified School District, Election 2004 Ser A			
	(FGIC).....	5.00	08/01/22	1,
-----				-----
				5,
5,190				-----
-----				
	Educational Facilities Revenue (6.2%)			
1,000	California State University, Ser 2005 A (Ambac).....	5.00	11/01/35	1,
	University of California,			
1,000	Limited Projects Ser 2005 B (FSA) (WI).....	5.00	05/15/30	1,
1,250	Multi Purpose Ser Q (FSA).....	5.00	09/01/31	1,
-----				-----
				3,
3,250				-----
-----				
	Electric Revenue (8.7%)			
1,000	Anaheim Public Financing Authority, Generation Refg Ser			
	2002-B (FSA).....	5.25	10/01/18	1,
1,400	California Department of Water Resources, Power Supply Ser			
	2002 A (Ambac).....	5.375	05/01/18	1,
1,000	Los Angeles Department of Water & Power, 2001 Ser A			
	(FSA).....	5.25	07/01/21	1,
1,000	Southern California Public Power Authority, Transmission			
	Refg Ser 2002 A (FSA).....	5.25	07/01/18	1,
-----				-----
				4,
4,400				-----
-----				
	Mortgage Revenue - Multi-Family (4.0%)			
2,130	Los Angeles Community Redevelopment Agency, 1994 Ser A			
-----	(Ambac).....	6.45	07/01/17	2,
-----				-----
	Mortgage Revenue - Single Family (4.1%)			
2,000	California Department of Veterans Affairs, Home Purchase			
	2002 Ser A (Ambac).....	5.35	12/01/27	2,
135	California Housing Financing Agency, 1995 Ser B (AMT)			
	(Ambac).....	6.25	08/01/14	-----
-----				
				2,
2,135				-----
-----				
	Public Facilities Revenue (3.8%)			
1,000	Simi Valley Public Financing Authority, Ser 2004 COPs			
	(Ambac).....	5.00	09/01/30	1,
1,000	Val Verde Unified School District, School Construction			

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	COPs Ser 2005 B (FGIC).....	5.00	01/01/30	1,
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2,000				2,
-----				
	Resource Recovery Revenue (4.6%) Sacramento Financing Authority, 2005 Refg Solid Waste & Redevelopment (FGIC).....	5.00	12/01/17	1,

See Notes to Financial Statements

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Morgan Stanley Insured California Municipal Securities  
PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
\$ 835	1999 Solid Waste & Redevelopment (Ambac).....	5.75 %	12/01/22	\$
-----				
2,345				2,
-----				
	Tax Allocation Revenue (12.4%)			
250	Bay Area Government Association, Pool 1994 Ser A (FSA)....	6.00	12/15/24	
1,145	Capistrano Unified School District, Community Facilities District #98-2 Ladera Special Tax Ser 2005 (FGIC).....	5.00	09/01/29	1,
1,100	La Quinta Financing Authority, Local Agency 2004 Ser A (Ambac).....	5.25	09/01/24	1,
1,000	Long Beach Bond Finance Authority, Downtown, North Long Beach, Poly High and West Beach Areas 2002 Ser A (Ambac).....	5.375	08/01/21	1,
1,000	Rancho Mirage Redevelopment Agency, Ser 2003 A (MBIA)....	5.00	04/01/33	1,
1,000	San Jose Redevelopment Agency, Merged Area Ser 2002 (MBIA).....	5.00	08/01/32	1,
1,000	San Marcos Public Facilities Authority, Areas #2 & 3 2005 Ser C (Ambac).....	5.00	08/01/35	1,
-----				
6,495				6,
-----				
	Transportation Facilities Revenue (11.5%)			
2,000	California Infrastructure & Economic Development Bank, Bay Area Toll Bridges Seismic Retrofit First Lien Ser 2003 A (FGIC).....	5.00	07/01/29	2,
1,000	Los Angeles County Metropolitan Transportation Authority, Sales Tax Ser 2000 A (FGIC) #.....	5.25	07/01/30	1,
2,000	Orange County Transportation Authority, Toll Road Express Lanes Refg Ser 2003 A (Ambac).....	5.00	08/15/20	2,
1,000	San Jose, Airport Ser 2001 A (FGIC).....	5.00	03/01/25	1,

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6,000

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	Water & Sewer Revenue (20.1%)			
1,500	California Department of Water Resources, Central Valley Ser Y (FGIC).....	5.25	12/01/19	1,
2,000	East Bay Municipal Utility District, Water Ser 2001 (MBIA).....	5.00	06/01/26	2,
1,000	Los Angeles, Wastewater Refg Ser 2003 B (FSA).....	5.00	06/01/22	1,
1,000	Metropolitan Water District of Southern California, 2003 Ser B-2 (FGIC).....	5.00	10/01/27	1,
1,000	Oxnard Financing Authority, Redwood Trunk Sewer & Headworks Ser 2004 A (FGIC).....	5.00	06/01/29	1,
1,000	San Diego County Water Authority, Ser 2004 A COPs (FSA)...	5.00	05/01/29	1,
2,000	San Francisco Public Utilities Commission, Water Refg Ser A 2001 (FSA).....	5.00	11/01/31	2,
1,000	Yucaipa Valley Water District, Ser 2004 A COPs (MBIA).....	5.25	09/01/24	1,

-----  
10,500

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	Other Revenue (1.9%)			
1,000	Golden State Tobacco Securitization Corporation, Enhanced Asset Backed Ser 2005 A (FGIC).....	5.00	06/01/38	1,

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See Notes to Financial Statements

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Morgan Stanley Insured California Municipal Securities  
PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
	Refunded (9.6%)			
\$ 2,000	Anaheim, Anaheim Memorial Hospital Association COPs (Ambac) (ETM).....	5.125%	05/15/20	\$ 2,
2,000	Sacramento Financing Authority, Water & Capital Improvement 2001 Ser A (Ambac).....	5.00	06/01/11+	2,
1,000	Puerto Rico Infrastructure Financing Authority, 2000 Ser A (ETM).....	5.50	10/01/32	1,
5,000				5,
50,445	Total California Tax-Exempt Municipal Bonds (Cost \$50,791,751).....			52,
	California Short-Term Tax-Exempt Municipal Obligations (3.7%)			



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500	California Department of Water Resources, Power Supply Ser 2002 B (Demand 11/01/05).....	2.69*	05/01/22	
1,500	Orange County Sanitation District, Ser 2000 A COPs (Demand 11/01/05).....	2.66*	08/01/30	1,
-----				-----
2,000	Total California Short-Term Tax-Exempt Municipal Obligations (Cost \$2,000,000).....			2,
-----				-----
\$52,445	Total Investments (Cost \$52,791,751) (a) (b).....		100.5%	54
-----				-----
	Liabilities In Excess of Other Assets.....		(0.5)	-----
	Net Assets Applicable to Common Shareholders.....		100.0%	\$54
			=====	=====

- 
- AMT Alternative Minimum Tax.
  - COPs Certificates of Participation.
  - ETM Escrowed to maturity.
  - WI Security purchased on a when-issued basis.
  - + Prerefunded to call date shown.
  - \* 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 \$32,500.
  - (a) Securities have been designated as collateral in an amount equal to \$7,482,737 in connection with open futures contracts and securities purchased on a when-issued basis.
  - (b) The aggregate cost for federal income tax purposes is \$52,736,130. The aggregate gross unrealized appreciation is \$2,040,772 and the aggregate gross unrealized depreciation is \$115,190, resulting in net unrealized appreciation of \$1,925,582.

Bond Insurance:

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

See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities  
PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2005 continued

FUTURES CONTRACTS OPEN AT OCTOBER 31, 2005:

NUMBER OF	DESCRIPTION/DELIVERY	UNDERLYING FACE	UNREALIZED
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CONTRACTS	LONG/SHORT	MONTH AND YEAR	AMOUNT AT VALUE	APPRECIATION
50	Short	U.S. Treasury Notes 5 Year December 2005	\$(5,294,532)	\$ 80,565
10	Short	U.S. Treasury Notes 10 Year December 2005	(1,084,531)	25,504
Total Unrealized Appreciation.....				\$106,069

See Notes to Financial Statements

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Morgan Stanley Insured California Municipal Securities  
FINANCIAL STATEMENTS

Statement of Assets and Liabilities  
October 31, 2005

Assets:	
Investments in securities, at value (cost \$52,791,751).....	\$54,661,712
Cash.....	55,232
Interest receivable.....	794,868
Prepaid expenses and other assets.....	4,269
Total Assets.....	55,516,081
Liabilities:	
Payable for:	
Investments purchased.....	1,029,940
Investment advisory fee.....	12,586
Administration fee.....	3,729
Transfer agent fee.....	3,288
Common shares of beneficial interest repurchased.....	2,804
Variation margin.....	1,094
Accrued expenses and other payables.....	49,361
Total Liabilities.....	1,102,802
Preferred shares of beneficial interest (1,000,000 shares non-participating \$.01 par value, none issued).....	--
Net Assets Applicable to Common Shareholders.....	\$54,413,279
Composition of Net Assets Applicable to Common Shareholders:	
Common shares of beneficial interest (unlimited shares authorized of \$.01 par value, 3,586,372 shares outstanding).....	\$50,920,674
Net unrealized appreciation.....	1,976,030
Accumulated undistributed net investment income.....	394,361
Accumulated undistributed net realized gain.....	1,122,214
Net Assets Applicable to Common Shareholders.....	\$54,413,279
Net Asset Value Per Common Share (\$54,413,279 divided by 3,586,372 common shares outstanding).....	
	\$15.17

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See Notes to Financial Statements

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Morgan Stanley Insured California Municipal Securities  
FINANCIAL STATEMENTS continued

Statement of Operations  
For the year ended October 31, 2005

Net Investment Income:	
Interest Income.....	\$ 2,626,131
-----	
Expenses	
Investment advisory fee.....	151,313
Professional fees.....	78,203
Administration fee.....	44,833
Shareholder reports and notices.....	25,042
Registration fees.....	16,165
Transfer agent fees and expenses.....	12,604
Custodian fees.....	5,238
Trustees' fees and expenses.....	687
Other.....	11,170
-----	
Total Expenses.....	345,255
Less: expense offset.....	(4,950)
-----	
Net Expenses.....	340,305
-----	
Net Investment Income.....	2,285,826
-----	
Net Realized and Unrealized Gain (Loss):	
Net Realized Gain (Loss) on:	
Investments.....	1,106,514
Futures contracts.....	(3,742)
-----	
Net Realized Gain.....	1,102,772
-----	
Net Change in Unrealized Appreciation/Depreciation on:	
Investments.....	(1,468,543)
Futures contracts.....	149,901
-----	
Net Depreciation.....	(1,318,642)
-----	
Net Loss.....	(215,870)
-----	
Net Increase.....	\$ 2,069,956
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See Notes to Financial Statements

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Morgan Stanley Insured California Municipal Securities  
FINANCIAL STATEMENTS continued

Statement of Changes in Net Assets

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	FOR THE YEAR ENDED OCTOBER 31, 2005	FOR THE YEAR ENDED OCTOBER 31, 2004
	-----	-----
Increase (Decrease) in Net Assets:		
Operations:		
Net investment income.....	\$ 2,285,826	\$ 2,481,552
Net realized gain.....	1,102,772	482,387
Net change in unrealized appreciation/depreciation.....	(1,318,642)	446,846
	-----	-----
Net Increase.....	2,069,956	3,410,785
	-----	-----
Dividends and Distributions to Common Shareholders from:		
Net investment income.....	(2,405,662)	(2,390,725)
Net realized gain.....	(463,024)	(754,732)
	-----	-----
Total Dividends and Distributions.....	(2,868,686)	(3,145,457)
	-----	-----
Decrease from transactions in common shares of beneficial interest.....	(1,742,523)	(1,233,332)
	-----	-----
Net Decrease.....	(2,541,253)	(968,004)
Net Assets Applicable to Common Shareholders:		
Beginning of period.....	56,954,532	57,922,536
	-----	-----
End of Period (Including accumulated undistributed net investment income of \$394,361 and \$489,809, respectively).....	\$54,413,279	\$56,954,532
	=====	=====

See Notes to Financial Statements

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Morgan Stanley Insured California Municipal Securities  
NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2005

1. Organization and Accounting Policies

Morgan Stanley Insured California Municipal Securities (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 both federal and California income taxes. The Trust was organized as a Massachusetts business trust on October 14, 1993 and commenced operations on February 28, 1994.

The following is a summary of significant accounting policies:

A. Valuation of Investments -- (1) portfolio securities are valued by an outside independent pricing service approved by the Trustees. The pricing service uses both a computerized grid matrix of tax-exempt securities and evaluations by its staff, in each case based on information concerning market transactions and quotations from dealers which reflect the mean between the last reported bid and asked price. The portfolio securities are thus valued by reference to a combination of transactions and quotations for the same or other securities believed to be comparable in quality, coupon, maturity, type of issue, call

provisions, trading characteristics and other features deemed to be relevant. The Trustees believe that timely and reliable market quotations are generally not readily available for purposes of valuing tax-exempt securities and that the valuations supplied by the pricing service are more likely to approximate the fair value of such securities; (2) futures are valued at the latest sale price on the commodities exchange on which they trade unless it is determined that such price does not reflect their market value, in which case they will be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Trustees; and (3) short-term debt securities having a maturity date of more than sixty days at time of purchase are valued on a mark-to-market basis until sixty days prior to maturity and thereafter at amortized cost based on their value on the 61st day. Short-term debt securities having a maturity date of sixty days or less at the time of purchase are valued at amortized cost.

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

C. Futures Contracts -- A futures contract is an agreement between two parties to buy and sell financial instruments or contracts based on financial indices at a set price on a future date. Upon entering into such a contract, the Trust is required to pledge to the broker cash, U.S. Government securities or other liquid portfolio securities equal to the minimum initial margin requirements of the applicable futures exchange. Pursuant to the contract, the Trust agrees to receive from or pay to the

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Morgan Stanley Insured California Municipal Securities  
NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2005 continued

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

E. Dividends and Distributions to Shareholders -- Dividends and distributions to shareholders are recorded on the ex-dividend date.

F. Use of Estimates -- The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

## 2. Investment 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 net assets.

Pursuant to an Administration Agreement with Morgan Stanley Services Company

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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 net assets.

### 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, 2005 aggregated \$14,084,359 and \$16,690,181, respectively.

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

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 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

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## Morgan Stanley Insured California Municipal Securities NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2005 continued

received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the net asset value of the Trust.

### 4. Preferred Shares of Beneficial Interest

The Trust is authorized to issue up to 1,000,000 non-participating preferred shares of beneficial interest having a par value of \$.01 per share, in one or more series, with rights as determined by the Trustees, without approval of the common shareholders. The preferred shares 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.

Upon issuance, the Trust will be subject to certain restrictions relating to the preferred shares. Failure to comply with these restrictions could preclude the Trust from declaring any distributions to common shareholders or purchasing common shares and/or could trigger the mandatory redemption of preferred shares at liquidation value.

The preferred shares, 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.

As of October 31, 2005, there were no preferred shares outstanding.

### 5. Common Shares of Beneficial Interest

Transactions in common shares of beneficial interest were as follows:

CAPITAL  
PAID IN

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	SHARES	PAR VALUE	EXCESS OF PAR VALUE
	-----	-----	-----
Balance, October 31, 2003.....	3,799,913	\$37,999	\$53,858,530
Treasury shares purchased and retired (weighted average discount 9.05%)*.....	(89,800)	(898)	(1,232,434)
	-----	-----	-----
Balance, October 31, 2004.....	3,710,113	37,101	52,626,096
Treasury shares purchased and retired (weighted average discount 7.99%)*.....	(123,741)	(1,237)	(1,741,286)
	-----	-----	-----
Balance, October 31, 2005.....	3,586,372	\$35,864	\$50,884,810
	=====	=====	=====

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

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Morgan Stanley Insured California Municipal Securities  
NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2005 continued

6. Dividends to Common Shareholders

On September 27, 2005, the Trust declared the following dividends from net investment income:

AMOUNT PER SHARE	RECORD DATE	PAYABLE DATE
-----	-----	-----
\$0.05	November 4, 2005	November 18, 2005
\$0.05	December 9, 2005	December 23, 2005

7. Expense Offset

The expense offset represents a reduction of the custodian fees for earnings on cash balances maintained by the Trust.

8. Risks Relating to Certain Financial Instruments

The Trust may invest a portion of its assets in residual interest bonds, which are inverse floating rate municipal obligations. The prices of these securities are subject to greater market fluctuations during periods of changing prevailing interest rates than are comparable fixed rate obligations.

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

These futures contracts involve elements of market risk in excess of the amount reflected in the Statement of Assets and Liabilities. The Trust bears the risk of an unfavorable change in the value of the underlying securities. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

9. Federal Income Tax Status

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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.

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Morgan Stanley Insured California Municipal Securities  
 NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2005 continued

The tax character of distributions paid was as follows:

	FOR THE YEAR ENDED OCTOBER 31, 2005	FOR THE YEAR ENDED OCTOBER 31, 2004
	-----	-----
Tax-exempt income.....	\$2,395,477	\$2,376,330
Ordinary income.....	10,185	14,395
Long-term capital gains.....	463,024	754,732
	-----	-----
Total distributions.....	\$2,868,686	\$3,145,457
	=====	=====

As of October 31, 2005, the tax-basis components of accumulated earnings were as follows:

Undistributed tax-exempt income.....	\$ 290,314
Undistributed ordinary income.....	134,039
Undistributed long-term gains.....	1,142,735
	-----
Net accumulated earnings.....	1,567,088
Temporary differences.....	(65)
Net unrealized appreciation.....	1,925,582
	-----
Total accumulated earnings.....	\$3,492,605
	=====

As of October 31, 2005, the Trust had temporary book/tax differences primarily attributable to book amortization of discounts on debt securities and mark-to-market of open futures contracts and permanent book/tax differences attributable to tax adjustments on debt securities sold by the Trust. To reflect reclassifications arising from the permanent differences, accumulated undistributed net realized gain was charged and accumulated undistributed net investment income was credited \$24,388.

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## Morgan Stanley Insured California Municipal Securities FINANCIAL HIGHLIGHTS

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

	FOR THE YEAR ENDED		
	2005	2004	2003
Selected Per Share Data:			
Net asset value, beginning of period.....	\$15.35	\$15.24	\$15.56
Income (loss) from investment operations:			
Net investment income*.....	0.62	0.66	0.67
Net realized and unrealized gain (loss).....	(0.05)	0.25	(0.07)
Total income from investment operations.....	0.57	0.91	0.60
Less dividends and distributions from:			
Net investment income.....	(0.66)	(0.63)	(0.71)
Net realized gain.....	(0.13)	(0.20)	(0.25)
Total dividends and distributions.....	(0.79)	(0.83)	(0.96)
Anti-dilutive effect of acquiring treasury shares*.....	0.04	0.03	0.04
Net asset value, end of period.....	\$15.17	\$15.35	\$15.24
Market value, end of period.....	\$13.99	\$13.96	\$13.83
Total Return+.....	5.96%	7.19%	4.57%
Ratios to Average Net Assets:			
Total expenses (before expense offset).....	0.62% (1)	0.58% (1)	0.55%
Net investment income.....	4.09%	4.37%	4.50%
Supplemental Data:			
Net assets, end of period, in thousands.....	\$54,413	\$56,955	\$57,923
Portfolio turnover rate.....	26%	31%	31%

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

See Notes to Financial Statements

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Morgan Stanley Insured California Municipal Securities  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statement of assets and liabilities of Morgan Stanley Insured California Municipal Securities (the "Trust"), including the portfolio of investments, as of October 31, 2005, 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, 2005, 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 California Municipal Securities as of October 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
New York, New York  
December 19, 2005

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Morgan Stanley Insured California Municipal Securities  
SHAREHOLDER VOTING RESULTS

On June 21, 2005, an annual meeting of the Trust's shareholders was held for the purpose of voting on the following matters, the results of which were as follows:

Election of Trustees by all Shareholders:

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	FOR	WITHHELD
	-----	
Michael Bozic.....	2,592,031	63,398
Charles A. Fiumefreddo.....	2,592,536	62,893
James F. Higgins.....	2,595,086	60,343

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

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Morgan Stanley Insured California Municipal Securities  
TRUSTEE AND OFFICER INFORMATION

Independent Trustees:

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) Dur Past 5 Years**
-----			
Michael Bozic (64) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since April 1994	Private Investor; Director Trustee of the Retail Funds (since April 1994) and the Institutional Funds (since July 2003); formerly Vice Chairman of Kmart Corporati (December 1998–October 2000 Chairman and Chief Executi Officer of Levitz Furniture Corporation (November 1995–November 1998) and President and Chief Executi Officer of Hills Department Stores (May 1991–July 1995) formerly variously Chairman Chief Executive Officer, President and Chief Operati Officer (1987–1991) of the Sears Merchandise Group of Sears, Roebuck & Co.
Edwin J. Garn (73) 1031 N. Chartwell Court Salt Lake City, UT 84103	Trustee	Since January 1993	Consultant; Director or Trustee of the Retail Funds (since January 1993) and th Institutional Funds (since July 2003); member of the U Regional Advisory Board of Pacific Corp. (utility company); formerly Managing Director of Summit Ventures LLC (2000–2004) (lobbying a consulting firm); United States Senator (R-Utah) (1974–1992) and Chairman,

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Senate Banking Committee (1980-1986), Mayor of Salt Lake City, Utah (1971-1974) Astronaut, Space Shuttle Discovery (April 12-19, 198 and Vice Chairman, Huntsman Corporation (chemical company).

Name, Age and Address of Independent Trustee	Other Directorships Held by Trustee
Michael Bozic (64) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036 Edwin J. Garn (73) 1031 N. Chartwell Court Salt Lake City, UT 84103	Director of various business organizations.  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.

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Morgan Stanley Insured California Municipal Securities  
 TRUSTEE AND OFFICER INFORMATION continued

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years**
Wayne E. Hedien (71) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since September 1997	Retired; Director or Trustee of the Retail Funds (since September 1997) and the 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).

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<p>Dr. Manuel H. Johnson (56)  c/o Johnson Smick Group, Inc.  888 16th Street, NW  Suite 740  Washington, D.C. 20006</p>	<p>Trustee</p>	<p>Since July  1991</p>	<p>Senior Partner, Johnson Smick International, Inc., a consulting firm; Chairman of the Audit Committee and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2003); Co-Chairman and a founder of the Group of Seven Council (G7) an international economic commission; formerly Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.</p>
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<p>Joseph J. Kearns (63)  c/o Kearns &amp; Associates LLC  PMB754  23852 Pacific Coast Highway  Malibu, CA 90265</p>	<p>Trustee</p>	<p>Since July  2003</p>	<p>President, Kearns &amp; Associates LLC (investment consulting); Deputy Chairman of the Audit Committee and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since August 1994); previously Chairman of the Audit Committee of the Institutional Funds (October 2001-July 2003); formerly CFO of the Paul Getty Trust.</p>
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Name, Age and Address of Independent Trustee	Other Directorships Held by Trustee
<p>Wayne E. Hedien (71)  c/o Kramer Levin Naftalis &amp; Frankel LLP  Counsel to the Independent Trustees  1177 Avenue of the Americas  New York, NY 10036</p>	<p>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>Dr. Manuel H. Johnson (56)  c/o Johnson Smick Group, Inc.  888 16th Street, NW  Suite 740  Washington, D.C. 20006</p>	<p>Director of NVR, Inc. (home construction); Director of KFX Energy; Director of RBS Greenwich Capital Holdings (financial holding company).</p>
<p>Joseph J. Kearns (63)  c/o Kearns &amp; Associates LLC  PMB754  23852 Pacific Coast Highway  Malibu, CA 90265</p>	<p>Director of Electro Rent Corporation (equipment leasing), The Ford Family Foundation, and the UCLA Foundation.</p>

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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 E. Nugent (69) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY 10022	Trustee	Since July 1991	General Partner of Triumph Capital, L.P., a private investment partnership; Chairman of the Insurance Committee and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2001); formerly Vice President, Bankers Trust Company and BT Capital Corporation (1984-1988).
Fergus Reid (73) c/o Lumelite Plastics Corporation 85 Charles Colman Blvd. Pawling, NY 12564	Trustee	Since July 2003	Chairman of Lumelite Plastics Corporation; Chairman of the Governance Committee and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since June 1992).

Name, Age and Address of Independent Trustee	Other Directorships Held by Trustee
Michael E. Nugent (69) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY 10022 Fergus Reid (73) c/o Lumelite Plastics Corporation 85 Charles Colman Blvd. Pawling, NY 12564	Trustee and Director of certain investment companies in the JPMorgan Funds complex managed by J.P. Morgan Investment Management Inc.

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Morgan Stanley Insured California Municipal Securities  
TRUSTEE AND OFFICER INFORMATION continued

Interested Trustees:

Name, Age and Address of Interested Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years**
Charles A. Fiumefreddo (72)	Chairman of	Since July	Chairman and Director or

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c/o Morgan Stanley Trust  
 Harborside Financial Center,  
 Plaza Two,  
 Jersey City, NJ 07311

the Board 1991  
 and Trustee

Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2003); formerly Chief Executive Officer of the Retail Funds (until September 2002).

James F. Higgins (57)  
 c/o Morgan Stanley Trust  
 Harborside Financial Center,  
 Plaza Two,  
 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); Director of the Distributor and Dean of Witter Realty Inc.; previously President and Chief Operating Officer of the Private Client Group of Morgan Stanley (May 1999-August 2000), and President and Chief Operating Officer of Individual Securities of Morgan Stanley (February 1997-May 1999).

Name, Age and Address of Interested Trustee	Other Directorships Held by Trustee
-----	-----
Charles A. Fiumefreddo (72) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	None
James F. Higgins (57) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services).

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\* This is the earliest date the Trustee began serving the funds advised by Morgan Stanley Investment Advisors Inc. (the "Investment Adviser") (the "Retail Funds").

\*\* The dates referenced below indicating commencement of services as Director/Trustee for the Retail Funds and the funds advised by Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP (the "Institutional Funds") reflect the earliest date the Director/Trustee began serving the Retail or Institutional Funds, as applicable.

\*\*\* The Fund Complex includes all open-end and closed-end funds (including all of their portfolios) advised by the Investment 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.).

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Morgan Stanley Insured California Municipal Securities  
TRUSTEE AND OFFICER INFORMATION continued

Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) Du
Ronald E. Robison (66) 1221 Avenue of the Americas New York, NY 10020	President and Principal Executive Officer	Since May 2003	President (since September 2005) Officer of funds in the Fund Comp Managing Director of Morgan Stanl Morgan Stanley; Managing Director Stanley Investment Management Inc Distribution Inc. and Morgan Stan Managing Director, Chief Administ of Morgan Stanley Investment Advi Stanley Services Company Inc.; Ch Director of Morgan Stanley Trust; SICAV (since May 2004); President Principal Executive Officer (sinc Kampen Funds; previously, Executi 2003-September 2005) of funds in Van Kampen Funds. He was also pre Director of the Institutional Fun Chief Global Operations Officer o Management Inc. and Chief Executi Van Kampen Investor Services.
Joseph J. McAlinden (62) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since July 1995	Managing Director and Chief Inves Investment Adviser and Morgan Sta Inc.; Chief Investment Officer of President of the Institutional Fu the Retail Funds (since July 1995)
Barry Fink (50) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since February 1997	General Counsel (since May 2000) (since December 2000) of Morgan S Management; Managing Director (si Secretary (since February 1997) a Investment Adviser and the Admini the Retail Funds; Assistant Secre Vice President of the Institution Managing Director, Secretary and Distributor; previously Secretary and General Counsel (February 199 Funds; Vice President and Assista Investment Adviser and the Admini 1997-December 2001).
Amy R. Doberman (43) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since July 2004	Managing Director and General Cou Management; Managing Director of Management Inc. and the Investmen of the Institutional and Retail F Vice President of the Van Kampen previously, Managing Director and Counsel -- Americas, UBS Global A 2000-July 2004) and General Couns Management, Inc. (January 1997-Ju



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Carsten Otto (41) 1221 Avenue of the Americas New York, NY 10020	Chief Compliance Officer	Since October 2004	Executive Director and U.S. Director of Morgan Stanley Investment Management; Executive Director of the Investment Management Group of Morgan Stanley Investment Management Inc.; Secretary and Assistant General Counsel of Morgan Stanley Retail Funds.
Stefanie V. Chang (38) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since July 2003	Executive Director of Morgan Stanley Investment Management; Vice President of the Institutional Funds Group (since December 1997) and the Retail Funds Group (since July 2003); formerly practiced law with the New York law firm of Kaye, Rofsky & Wells (now Clifford Chance US LLP).

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Morgan Stanley Insured California Municipal Securities  
 TRUSTEE AND OFFICER INFORMATION continued

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) Du
Francis J. Smith (40) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Treasurer and Chief Financial Officer	Treasurer since July 2003 and Chief Financial Officer since September 2002	Executive Director of the Investment Management Group of Morgan Stanley; President of the Retail Funds (since July 2003); Vice President of the Investment Management Group of Morgan Stanley; Administrator (August 2000- November 2002) of the Retail Funds.
Thomas F. Caloia (59) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Vice President	Since July 2003	Executive Director (since December 2003) of the Investment Management Group of Morgan Stanley; Treasurer of the Investment Management Group of Morgan Stanley; Administrator; previously Treasurer of the Retail Funds (April 1989-July 2003); formerly Investment Adviser, the Distributor of the Retail Funds.
Mary E. Mullin (38) 1221 Avenue of the Americas New York, NY 10020	Secretary	Since July 2003	Executive Director of Morgan Stanley Investment Management; Secretary of the Institutional Funds Group (since July 1999) and the Retail Funds (since July 2003); formerly practiced law with the New York law firm of Kaye, Rofsky & Wells (now Clifford Chance US LLP) and Emery and Skadden, Arps, Slate,

\* This is the earliest date the Officer began serving the Retail Funds. Each Officer serves an indefinite term, until his or her successor is elected.

\*\* The dates referenced below indicating commencement of service as an Officer for the Retail and Institutional Funds reflect the earliest date the Officer began serving the Retail or Institutional Funds, as applicable.

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 July 19, 2005.

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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 Fund's N-CSR and are available on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

### 2005 FEDERAL TAX NOTICE (UNAUDITED)

During the year ended October 31, 2005, the Trust paid to its shareholders \$0.66 per share from tax-exempt income.

For the year ended October 31, 2005, the Trust paid to its shareholders \$0.13 per share from long-term capital gains.

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### TRUSTEES

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

### OFFICERS

Charles A. Fiumefreddo  
Chairman of the Board

Ronald E. Robison  
President and Principal Executive Officer

Joseph J. McAlinden  
Vice President

Barry Fink  
Vice President

Amy R. Doberman  
Vice President

Carsten Otto  
Chief Compliance Officer

Stefanie V. Chang  
Vice President

Francis J. Smith  
Treasurer and Chief Financial Officer

Thomas F. Caloia  
Vice President

Mary E. Mullin  
Secretary

### TRANSFER AGENT

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

INVESTMENT 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.

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[MORGAN STANLEY LOGO]

MORGAN STANLEY FUNDS

Morgan Stanley  
Insured California  
Municipal Securities

Annual Report  
October 31, 2005

[MORGAN STANLEY LOGO]

38622RPT-RA05-01052P-Y10/05

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) The Trust has amended its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto to delete from the end of the following paragraph on page 2 of the Code the phrase "to the detriment of the Fund.":

"Each Covered Officer must not use his personal influence or personal relationship improperly to influence investment decisions or financial reporting by the Fund whereby the Covered Officer would benefit personally (directly or indirectly)."

Additionally, Exhibit B was amended to remove Mitchell M. Merin as a covered officer.

(d) Not applicable.

(e) Not applicable.

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(f)

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

(2) Not applicable.

(3) Not applicable.

Item 3. Audit Committee Financial Expert.

The Trust's Board of Trustees has determined that it has two "audit committee financial experts" serving on its audit committee, each of whom are "independent" Trustees: Dr. Manuel H. Johnson and Joseph J. Kearns. 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, 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.

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Item 4. Principal Accountant Fees and Services.

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

2005

	REGISTRANT	COVERED ENTITIES (1)
AUDIT FEES.....	\$ 30,448	N/A
NON-AUDIT FEES		
AUDIT-RELATED FEES....	\$ 540 (2)	\$ (2)
TAX FEES.....	\$ 5,026 (3)	\$ (4)
ALL OTHER FEES.....	\$ -	\$ -
TOTAL NON-AUDIT FEES.....	\$ 5,566	\$
TOTAL.....	\$ 36,014	\$

2004

	REGISTRANT	COVERED ENTITIES (1)
AUDIT FEES.....	\$ 28,989	N/A
NON-AUDIT FEES		
AUDIT-RELATED FEES....	\$ 5,752 (2)	\$ 5,067,400 (2)
TAX FEES.....	\$ 4,455 (3)	\$ 545,053 (4)
ALL OTHER FEES.....	\$ -	\$ - (5)
TOTAL NON-AUDIT FEES.....	\$ 10,207	\$ 5,612,453

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TOTAL..... \$ 39,196 \$ 5,612,453

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.
- (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

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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 on subsequent determinations.

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- (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 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

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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 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 Fund'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 Fund'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 Fund'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 Fund's Chief Financial Officer will report to the Audit Committee on a periodic basis on the results of its monitoring. Both the Fund'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 Fund'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 Fund, 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 Fund's investment adviser(s) and any entity controlling, controlled by or under common control with the Fund's investment adviser(s) that provides ongoing services to the Fund(s). Beginning with non-audit service contracts entered into on or after May 6, 2003, the Fund's audit committee must pre-approve non-audit services provided not only to the Fund but also to the Covered Entities if the engagements relate directly to the operations and financial reporting of the Fund. 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



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Morgan Stanley Investment Management Company  
Van Kampen Asset Management  
Morgan Stanley Services Company, Inc.  
Morgan Stanley Distributors Inc.  
Morgan Stanley Trust FSB

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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: Michael Bozic, Edwin J. Garn, Wayne E. Hedien, Manual H. Johnson, Joseph J. Kearns, Michael Nugent and Fergus Reid.

(b) Not applicable.

Item 6.

See Item 1.

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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

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

2005.

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## Item 9. Closed-End Fund Repurchases

## REGISTRANT PURCHASE OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
November 1, 2004 -- November 30, 2004	7,900	\$ 13.82	N/A	N/A
December 1, 2004 -- December 31, 2004	8,200	\$ 13.67	N/A	N/A
January 1, 2005 -- January 31, 2005	8,400	\$ 13.89	N/A	N/A
February 1, 2005 -- February 28, 2005	7,000	\$ 13.92	N/A	N/A
March 1, 2005 -- March 31, 2005	11,755	\$ 13.99	N/A	N/A
April 1, 2005 -- April 30, 2005	5,500	\$ 13.99	N/A	N/A
May 1, 2005 -- May 31, 2005	17,586	\$ 14.06	N/A	N/A
June 1, 2005 -- June 30, 2005	10,700	\$ 14.13	N/A	N/A
July 1, 2005 -- July 31, 2005	20,400	\$ 14.38	N/A	N/A
August 1, 2005 -- August 31, 2005	9,500	\$ 14.30	N/A	N/A
September 1, 2005 -- September 30, 2005	5,700	\$ 14.28	N/A	N/A
October 1, 2005 -- October 31, 2005	11,100	\$ 14.06	N/A	N/A
Total	123,741	\$ 14.04	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 ensure 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 rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

## 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 California Municipal Securities

/s/ Ronald E. Robison

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Ronald E. Robison  
Principal Executive Officer  
December 19, 2005

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  
December 19, 2005

/s/ Francis Smith

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Francis Smith  
Principal Financial Officer  
December 19, 2005

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