

MORGAN STANLEY INSURED CALIFORNIA MUNICIPAL SEC
Form N-CSR
December 30, 2003

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, 2003

Date of reporting period: October 31, 2003

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 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, 2003

MARKET CONDITIONS

Over the past 12 months the tone of the U.S. economy shifted from weak to accelerating growth culminating in 8.2 percent GDP growth in the third quarter of 2003. One of the most closely watched economic indicators, employment strength, was in negative territory for much of the period. Repeated comments from government and private sector economists suggesting that the U.S. economy

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might be entering a deflationary period also weighed heavily on investors during much of the year. At the same time, ongoing budgetary and fiscal difficulties at the state and local levels contributed to ratings downgrades for many municipal bonds. The Federal Reserve Board attempted to allay these fears and keep the economy moving forward by cutting the federal funds target rate twice to a level of 1.0 percent.

The uncertain economic climate had an effect on the municipal bond market. While yields on intermediate-and long-term bonds ended the period roughly where they began, the road between those two points was decidedly bumpy. The 12-month period can be divided into two distinct market environments. The first, which lasted from October 2002 to mid-June 2003, saw municipal yields fall by roughly 75 basis points to levels not seen since the late 1960s. Plummeting yields led to a surge in issuance as municipalities moved to lock in new low financing rates and, in the case of older bonds, low refinancing costs. Record levels of supply met with strong demand by investors in search of tax-exempt income to offset low money market rates. Also, the relatively attractive yield of municipal bonds versus Treasuries created demand from institutional taxable investors who "crossed-over" to purchase municipals.

The municipal market reversed abruptly in mid-June, when yields began to climb from their lows and investors shifted their attention to the improving equity market. Participation from cross-over investors also evaporated as taxable yields rose faster than those of tax-exempts. Issuance remained strong through July, but declined over the last three months as yields rose. These forces combined to push municipal-bond yields above their historic lows, ending the fiscal year near where they began.

California faced a host of economic and fiscal problems during the year, including a multi-billion dollar budget deficit that led Moody's and Standard & Poor's to downgrade the state's general obligations in February. California issuers sold approximately \$51 billion in debt during the first 10 months of 2003, an increase of 35 percent compared to the same period in 2002. Because of fiscal and credit concerns, valuations of the state's general obligation bonds declined during the period.

PERFORMANCE ANALYSIS

The net asset value (NAV) of Morgan Stanley Insured California Municipal Securities (ICS) decreased from \$15.56 to \$15.24 per share for the fiscal year ended October 31, 2003. Based on this change plus reinvestment of tax-free dividends totaling \$0.685 per share, a short-term capital gain distribution of \$0.041 per share and a long-term capital gain distribution of \$0.231 per share, the Trust's total NAV return was

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4.79 percent. ICS's value on the New York Stock Exchange (NYSE) decreased from \$14.15 to \$13.83 per share during the same period. Based on this change plus reinvestment of tax-free dividends, the Trust's total market return was 4.57 percent. On October 31, 2003, ICS's NYSE market price was at a 9.20 percent discount to its NAV. Past performance is no guarantee of future results.

Monthly dividends for the fourth quarter of 2003 were declared in September. Beginning with the October payment the monthly payment decreased from \$0.0575 to \$0.0525 per share. The new dividend reflects the level of the Trust's undistributed net investment income and projected earnings power. The Trust's level of undistributed net investment income was \$0.112 per share on October 31, 2003 versus \$0.128 per share as of October 31, 2002.

From a strategic point of view, with interest rates at multi-decade lows, we

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also became increasingly concerned that the next significant shift in interest rates might be upward. As a result, we began to establish a hedge position by selling Treasury futures to reduce the portfolio's duration (a measure of interest rate sensitivity). This allowed us to maintain an average maturity target range of 20 years in order to take advantage of the steepness of the municipal yield curve. Nevertheless, market yields on new investments were lower than the book yields on portfolio holdings called for redemption. The portfolio's duration was 8.1 years. We continued to emphasize revenue bonds in sectors tied to reliable income streams from essential services such as municipal electric, transportation and water and sewer. As of October 31, 2003, the Trust's net assets of \$58 million were diversified across 33 credits in 11 long-term sectors.

The Trust's procedure for reinvesting all dividends and distributions in common shares is through purchases in the open market. This method helps support the market value of the Trust's shares. In addition, we would like to remind you that the Trustees have approved a procedure whereby the Trust may, when appropriate, purchase shares in the open market or in privately negotiated transactions at a price not above market value or net asset value, whichever is lower at the time of purchase. During the 12-month period ended October 31, 2003, the Trust purchased and retired 111,400 shares of common stock at a weighted average market discount of 8.44 percent.

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LARGEST SECTORS

| | |
|--------------------|-------|
| Water & Sewer | 20.5% |
| General Obligation | 18.2% |
| Tax Allocation | 16.7% |
| Electric | 11.9% |
| Mortgage | 9.9% |

CREDIT ENHANCEMENTS

| | |
|-----------------|-------|
| AMBAC | 32.9% |
| FGIC | 22.5% |
| FSA | 23.7% |
| MBIA | 16.2% |
| Connie Lee | 2.8% |
| US Gov't Backed | 1.9% |

Subject to change daily. Largest sector percentages and credit enhancements are as a percentage of total long-term investments. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned. Morgan Stanley is a full-service firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services.

RESULTS OF ANNUAL SHAREHOLDER MEETING

ON JUNE 17, 2003, 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:

(1) ELECTION OF TRUSTEES:

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 WAYNE E. HEDIEN
 FOR 3,060,998
 WITHHELD 37,001

DR. MANUEL H. JOHNSON
 FOR 3,063,404
 WITHHELD 34,595

THE FOLLOWING TRUSTEES WERE NOT STANDING FOR REELECTION AT THIS MEETING: MICHAEL BOZIC, CHARLES A. FIUMEFREDDO, EDWIN J. GARN, JAMES F. HIGGINS, MICHAEL E. NUGENT AND PHILIP J. PURCELL.

AS OF JULY 31, 2003, THE FOLLOWING ARE NOW SERVING AS TRUSTEES: JOSEPH J. KEARNS AND FERGUS REID.

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DISTRIBUTION BY MATURITY
 (% of Long Term Portfolio)

[BAR GRAPH]

WEIGHTED AVERAGE MATURITY: 20 YEARS

| | |
|-------|-------|
| 1-5 | 0.00 |
| 5-10 | 5.00 |
| 10-20 | 50.00 |
| 20-30 | 45.00 |
| 30+ | 0.00 |

Portfolio structure is subject to change.

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CALL AND COST (BOOK) YIELD STRUCTURE

[BAR GRAPH]

PERCENT OF BONDS CALLABLE -- WEIGHTED AVERAGE CALL PROTECTION: 6 YEARS

(Based on Long-Term Portfolio) As of 10/31/03

| | |
|----------|-------|
| 2003 (a) | 5.00 |
| 2004 | 28.00 |
| 2005 | 1.00 |
| 2006 | 0.00 |
| 2007 | 0.00 |
| 2008 | 0.00 |
| 2009 | 4.00 |
| 2010 | 2.00 |

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| | |
|-------|-------|
| 2011 | 18.00 |
| 2012 | 16.00 |
| 2013+ | 26.00 |

[BAR GRAPH]

COST (BOOK) YIELD (b) -- WEIGHTED AVERAGE BOOK YIELD: 5.5%

(Based on Long-Term Portfolio) As of 10/31/03

| | |
|----------|------|
| 2003 (a) | 6.00 |
| 2004 | 6.30 |
| 2005 | 6.20 |
| 2006 | 0.00 |
| 2007 | 0.00 |
| 2008 | 0.00 |
| 2009 | 5.90 |
| 2010 | 5.60 |
| 2011 | 5.20 |
| 2012 | 4.90 |
| 2013+ | 4.90 |

(a) May include issues 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 6.0% on 5% of the long-term portfolio that is callable in 2003. Portfolio structure is subject to change.

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Morgan Stanley Insured California Municipal Securities
PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2003

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | V |
|-------------------------------------|--|----------------|------------------|-------|
| ----- | | | | |
| | California Tax-Exempt Municipal Bonds (98.2%) General Obligation (17.8%) | | | |
| \$ 3,000 | California, Various Purpose Dtd 03/01/94 (FSA)..... | 5.50 % | 03/01/20 | \$ 3, |
| 2,000 | Los Angeles Community College District, Election 2001 Ser A (MBIA)..... | 5.00+ | 06/01/26 | 2, |
| 1,000 | Los Angeles Unified School District, 2003 Ser A (MBIA)..... | 5.00 | 01/01/28 | 1, |
| 1,000 | San Diego Unified School District, 2002 Ser D (FGIC)..... | 5.25 | 07/01/24 | 1, |
| 1,000 | 2003 Ser E (FSA)..... | 5.00 | 07/01/28 | 1, |
| 1,000 | Tahoe Truckee Unified School District, District No. 1 2001 Refg (MBIA)..... | 5.50 | 08/01/18 | 1, |
| 1,000 | Upland School District, Election of 2000 Ser 2001 B (FSA)..... | 5.125 | 08/01/25 | 1, |
| ----- | | | | |
| 10,000 | | | | 10, |

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| | | | | | |
|-------|---|-------|----------|----|--|
| ----- | | | | | |
| | Educational Facilities Revenue (6.2%) | | | | |
| 1,500 | California Educational Facilities Authority, National University Ser 1994 (Connie Lee)..... | 6.20 | 05/01/21 | 1, | |
| 1,000 | University of California, Ser 2003 B (Ambac) (WI)..... | 5.00 | 05/15/21 | 1, | |
| 1,000 | Ser 2003 A (Ambac)..... | 5.00 | 05/15/33 | 1, | |
| ----- | | | | | |
| 3,500 | | | | | |
| ----- | | | | | |
| | Electric Revenue (11.7%) | | | | |
| 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, | |
| | Los Angeles Department of Water & Power, 2001 Ser A (FSA)..... | 5.25 | 07/01/21 | 1, | |
| 1,000 | 2003 Ser A (MBIA)..... | 5.00 | 07/01/22 | 1, | |
| 1,000 | Modesto Irrigation District Capital Improvements, Ser 2001 A COPs (FSA)..... | 5.00 | 07/01/31 | 1, | |
| 1,000 | Southern California Public Power Authority, Transmission Refg Ser 2002 A (FSA)..... | 5.25 | 07/01/18 | 1, | |
| ----- | | | | | |
| 6,400 | | | | | |
| ----- | | | | | |
| | Mortgage Revenue - Multi-Family (5.1%) | | | | |
| 2,840 | Los Angeles Community Redevelopment Agency, 1994 Ser A (Ambac)..... | 6.45 | 07/01/17 | 2, | |
| ----- | | | | | |

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See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities
 PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2003 continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | V |
|-------------------------------|--|-------------|---------------|-------|
| ----- | | | | |
| | Mortgage Revenue - Single Family (4.6%) | | | |
| \$ 2,000 | California Department of Veterans Affairs, Home Purchase 2002 Ser A (Ambac)..... | 5.35 % | 12/01/27 | \$ 2, |
| 575 | California Housing Financing Agency, 1995 Ser B (AMT) (Ambac)..... | 6.25 | 08/01/14 | |
| ----- | | | | |
| 2,575 | | | | |

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| | | | | |
|--------|---|-------|----------|-----|
| ----- | | | | |
| | Public Facilities Revenue (1.8%) | | | |
| 1,000 | Glendale Unified School District, 1994 Ser A COPs (Ambac)..... | 6.00 | 03/01/19 | 1, |
| ----- | | | | |
| | Resource Recovery Revenue (3.8%) | | | |
| 2,000 | Sacramento Financing Authority, 1999 Solid Waste & Redevelopment (Ambac)..... | 5.75 | 12/01/22 | 2, |
| ----- | | | | |
| | Tax Allocation Revenue (16.4%) | | | |
| 2,000 | Bay Area Government Association, Pool 1994 Ser A (FSA)..... | 6.00 | 12/15/24 | 2, |
| 1,000 | Burbank Public Financing Authority, Golden State Redevelopment 2003 Ser A (Ambac)..... | 5.25 | 12/01/14 | 1, |
| 3,000 | Corona Redevelopment Agency, Area A 1994 Refg Ser A (FGIC)..... | 6.25 | 09/01/13 | 3, |
| 1,000 | Long Beach Bond Finance Authority, Downtown, North Long Beach, Poly High and West Beach Project Areas 2002 Ser A (Ambac)..... | 5.375 | 08/01/21 | 1, |
| 2,000 | Poway Redevelopment Agency, Paguay Redevelopment Project Ser 2003 A (MBIA)..... | 5.00 | 06/15/28 | 2, |
| ----- | | | | |
| 9,000 | | | | 9, |
| ----- | | | | |
| | Transportation Facilities Revenue (5.2%) | | | |
| 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 | San Jose, Airport Ser 2001 A (FGIC)..... | 5.00 | 03/01/25 | 1, |
| ----- | | | | |
| 3,000 | | | | 3, |
| ----- | | | | |
| | 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, |
| 2,900 | Garden Grove Public Finance Authority, Water Ser Capital Improvements 1993 (FGIC)..... | 5.50 | 12/15/23 | 2, |
| 1,000 | Metropolitan Waterworks District of Southern California 2003 Ser B-2 (FGIC)..... | 5.00 | 10/01/27 | 1, |
| 2,000 | Sacramento Financing Authority, Water & Capital Improvement 2001 Ser A (Ambac)..... | 5.00 | 12/01/26 | 2, |
| 2,000 | San Francisco Public Utilities Commission, Water Refg Ser A 2001 (FSA)..... | 5.00 | 11/01/31 | 2, |
| ----- | | | | |
| 11,400 | | | | 11, |
| ----- | | | | |

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Morgan Stanley Insured California Municipal Securities
 PORTFOLIO OF INVESTMENTS - OCTOBER 31, 2003 continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | V |
|-------------------------------------|---|----------------|------------------|--------|
| | Refunded (5.5%) | | | |
| \$ 2,000 | Anaheim, Anaheim Memorial Hospital Association COPs (Ambac) (ETM)..... | 5.125% | 05/15/20 | \$ 2, |
| 1,000 | Puerto Rico Infrastructure Financing Authority, 2000 Ser A (ETM)..... | 5.50 | 10/01/32 | 1, |
| ----- | | | | ----- |
| 3,000 | | | | 3, |
| ----- | | | | ----- |
| 54,715 | Total California Tax-Exempt Municipal Bonds (Cost \$54,059,154)..... | | | 56, |
| ----- | | | | ----- |
| | California Short Term Tax-Exempt Municipal Obligations (2.0%) | | | |
| 800 | Los Angeles Department of Water & Power, 2001 Ser B (Demand 11/01/03)..... | 1.12* | 07/01/34 | |
| 360 | Newport Beach, Hoag Memorial/Presbyterian Hospital Ser 1992 (Demand 11/01/03)..... | 1.15* | 10/01/22 | |
| ----- | | | | ----- |
| 1,160 | Total California Short-Term Tax-Exempt Municipal Obligations (Cost \$1,160,000)..... | | | 1, |
| ----- | | | | ----- |
| \$55,875 | Total Investments (Cost \$55,219,154) (a) (b)..... | | 100.2% | 58,0 |
| ===== | | | | ===== |
| | Liabilities in Excess of Other Assets..... | | (0.2) | (1 |
| | | | ----- | ----- |
| | Net Assets Applicable to Common Shareholders..... | | 100.0% | \$57,9 |
| | | | ===== | ===== |

AMT Alternative Minimum Tax.
 COPs Certificates of Participation.
 ETM Escrowed to maturity.
 WI Security purchased on a "when-issued" basis.
 * Current coupon of variable rate demand obligation.
 + A portion of this security has been physically segregated in
 connection with open futures contracts.
 (a) Securities have been designated as collateral in an amount
 equal to \$2,147,750 in connection with open futures
 contracts and the purchase of "when-issued" securities.
 (b) The aggregate cost for federal income tax purposes is
 \$55,115,511. The aggregate gross unrealized appreciation is
 \$2,984,640 and the aggregate gross unrealized depreciation

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is \$33,768, resulting in net unrealized appreciation of \$2,950,872.

Bond Insurance:

 Ambac Ambac Assurance Corporation.
 Connie Lee Connie Lee Insurance Company - A wholly owned subsidiary of
 Ambac Assurance Corporation.
 FGIC Financial Guaranty Insurance Company.
 FSA Financial Security Assurance Inc.
 MBIA Municipal Bond Investors Assurance Corporation.

Futures Contracts Open at October 31, 2003:

| NUMBER OF CONTRACTS | LONG/SHORT | DESCRIPTION/DELIVERY MONTH AND YEAR | UNDERLYING FACE AMOUNT AT VALUE | UNREALIZED APPRECIATION |
|------------------------|------------|---|------------------------------------|----------------------------|
| ----- | ----- | ----- | ----- | ----- |
| 10 | Short | U.S. Treasury Notes 5 Year December/2003 | \$(1,118,125) | \$597 |

See Notes to Financial Statements

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Morgan Stanley Insured California Municipal Securities
 FINANCIAL STATEMENTS

Statement of Assets and Liabilities
 October 31, 2003

Assets:

| | |
|---|--------------|
| Investments in securities, at value (cost \$55,219,154)..... | \$58,066,383 |
| Cash..... | 49,010 |
| Interest receivable..... | 907,146 |
| Prepaid expenses..... | 3,524 |
| | ----- |
| Total Assets..... | 59,026,063 |
| | ----- |

Liabilities:

| | |
|--|-----------|
| Payable for: | |
| Investment purchased..... | 1,029,000 |
| Investment management fee..... | 19,432 |
| Common shares of beneficial interest repurchased..... | 8,340 |
| Variation margin..... | 1,719 |
| Accrued expenses..... | 45,036 |
| | ----- |
| Total Liabilities..... | 1,103,527 |
| | ----- |

Preferred shares of beneficial
 interest (1,000,000 shares
 authorized of
 non-participating \$.01 par value,

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| | |
|--|--------------|
| none issued)..... | -- |
| | ----- |
| Net Assets Applicable to Common Shareholders..... | \$57,922,536 |
| | ===== |
| Composition of Net Assets Applicable to Common Shareholders: | |
| Common shares of beneficial interest (unlimited shares authorized of \$.01 par value, 3,799,913 shares outstanding)..... | \$53,896,529 |
| Net unrealized appreciation..... | 2,847,826 |
| Accumulated undistributed net investment income..... | 424,048 |
| Accumulated undistributed net realized gain..... | 754,133 |
| | ----- |
| Net Assets Applicable to Common Shareholders..... | \$57,922,536 |
| | ===== |
| Net Assets Value Per Common Share, (\$57,922,536 divided by 3,799,913 common shares outstanding)..... | \$15.24 |
| | ===== |

Statement of Operations
For the year ended October 31, 2003

| | |
|--|--------------|
| Net Investment Income: | |
| Interest Income..... | \$ 2,999,507 |
| | ----- |
| Expenses | |
| Investment management fee..... | 208,136 |
| Professional fees..... | 48,170 |
| Shareholder reports and notices..... | 20,776 |
| Transfer agent fees and expenses..... | 18,833 |
| Registration fees..... | 13,403 |
| Trustees' fees and expenses..... | 8,017 |
| Custodian fees..... | 5,573 |
| Other..... | 6,740 |
| | ----- |
| Total Expenses..... | 329,648 |
| Less: expense offset..... | (5,564) |
| | ----- |
| Net Expenses..... | 324,084 |
| | ----- |
| Net Investment Income..... | 2,675,423 |
| | ----- |
| Net Realized and Unrealized Gain (Loss): | |
| Net Realized Gain..... | 737,514 |
| Net Change in Unrealized Appreciation..... | (1,077,676) |
| | ----- |
| Net Loss..... | (340,162) |
| | ----- |
| Net Increase..... | \$ 2,335,261 |
| | ===== |

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See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities
FINANCIAL STATEMENTS continued

Statement of Changes in Net Assets

| | FOR THE YEAR ENDED OCTOBER 31, 2003 | FOR THE YEAR ENDED OCTOBER 31, 2002 |
|---|---|---|
| | ----- | ----- |
| Increase (Decrease) in Net Assets: | | |
| Operations: | | |
| Net investment income..... | \$ 2,675,423 | \$ 2,849,517 |
| Net realized gain..... | 737,514 | 1,023,964 |
| Net change in unrealized appreciation..... | (1,077,676) | (1,235,447) |
| | ----- | ----- |
| Net Increase..... | 2,335,261 | 2,638,034 |
| | ----- | ----- |
| Dividends and Distributions to Common Shareholders from: | | |
| Net investment income..... | (2,736,792) | (2,963,583) |
| Net realized gain..... | (974,718) | (1,459,019) |
| | ----- | ----- |
| Total Dividends and Distributions..... | (3,711,510) | (4,422,602) |
| | ----- | ----- |
| Decrease from transactions in common shares of beneficial interest..... | (1,563,653) | (503,028) |
| | ----- | ----- |
| Net Decrease..... | (2,939,902) | (2,287,596) |
| Net Assets Applicable to Common Shareholders: | | |
| Beginning of period..... | 60,862,438 | 63,150,034 |
| | ----- | ----- |
| End of Period (Including accumulated undistributed net investment income of \$424,048 and \$502,037, respectively)..... | \$57,922,536 | \$60,862,438 |
| | ===== | ===== |

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See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities
NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2003

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.

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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 bid side of the market each day. 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; (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 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

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Morgan Stanley Insured California Municipal Securities
NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2003 continued

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 Management Agreement

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Pursuant to an Investment Management Agreement with Morgan Stanley Investment Advisors Inc. (the "Investment Manager"), the Trust pays the Investment Manager a management fee, calculated weekly and payable monthly, by applying the annual rate of 0.35% 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, 2003 aggregated \$17,939,753 and \$20,115,194, respectively. Included in the aforementioned are sales of \$1,013,650 with other Morgan Stanley funds including a net realized gain of \$32,901.

Morgan Stanley Trust, an affiliate of the Investment Manager, is the Trust's transfer agent. At October 31, 2003, the Trust had transfer agent fees and expenses payable of approximately \$1,200.

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.

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Morgan Stanley Insured California Municipal Securities NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2003 continued

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, 2003, there were no preferred shares outstanding.

5. Common Shares of Beneficial Interest

Transactions in common shares of beneficial interest were as follows:

| | SHARES | PAR VALUE | CAPITAL PAID IN EXCESS OF PAR VALUE |
|---|-----------|-----------|--|
| | ----- | ----- | ----- |
| Balance, October 31, 2001..... | 3,946,013 | \$39,460 | \$55,923,535 |
| Treasury shares purchased and retired (weighted average | | | |

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| | | | |
|---|-----------|----------|--------------|
| discount 6.18%)*..... | (34,700) | (347) | (502,681) |
| Reclassification due to permanent book/tax differences..... | -- | -- | 215 |
| | ----- | ----- | ----- |
| Balance, October 31, 2002..... | 3,911,313 | 39,113 | 55,421,069 |
| Treasury shares purchased and retired (weighted average discount 8.44%)*..... | (111,400) | (1,114) | (1,562,539) |
| | ----- | ----- | ----- |
| Balance, October 31, 2003..... | 3,799,913 | \$37,999 | \$53,858,530 |
| | ===== | ===== | ===== |

* The Trustees have voted to retire the shares purchased.

6. Dividends To Common Shareholders

On September 23, 2003, the Trust declared the following dividends from net investment income:

| AMOUNT PER SHARE | RECORD DATE | PAYABLE DATE |
|---------------------|------------------|-------------------|
| ----- | ----- | ----- |
| \$0.0525 | November 7, 2003 | November 21, 2003 |
| \$0.0525 | December 5, 2003 | December 19, 2003 |

7. Expense Offset

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

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Morgan Stanley Insured California Municipal Securities
NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2003 continued

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.

At October 31, 2003, the Trust did not hold positions in residual interest bonds.

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.

At October 31, 2003, the Trust had outstanding futures 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.

The tax character of distributions paid was as follows:

| | FOR THE YEAR ENDED OCTOBER 31, 2003 ----- | FOR THE YEAR ENDED OCTOBER 31, 2002 ----- |
|------------------------------|--|--|
| Tax-exempt income..... | \$2,649,458 | \$2,824,666 |
| Ordinary income..... | 160,235 | 138,917 |
| Long-term capital gains..... | 901,817 | 1,459,019 |
| | ----- | ----- |
| Total distributions..... | \$3,711,510 ===== | \$4,422,602 ===== |

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Morgan Stanley Insured California Municipal Securities NOTES TO FINANCIAL STATEMENTS - OCTOBER 31, 2003 continued

As of October 31, 2003, the tax-basis components of accumulated earnings were as follows:

| | |
|--------------------------------------|----------------------|
| Undistributed tax-exempt income..... | \$ 306,010 |
| Undistributed ordinary income..... | 14,394 |
| Undistributed long-term gains..... | 754,731 |
| | ----- |
| Net accumulated earnings..... | 1,075,135 |
| Net unrealized appreciation..... | 2,950,872 |
| | ----- |
| Total accumulated earnings..... | \$4,026,007 ===== |

As of October 31, 2003, the Trust had temporary book/tax differences 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 investment income was charged and accumulated undistributed net realized gain was credited \$16,620.

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Morgan Stanley Insured California Municipal Securities FINANCIAL HIGHLIGHTS

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

| | FOR THE YEAR ENDED | | |
|---|--------------------|-----------|----------|
| | 2003 | 2002 | 2001 |
| Selected Per Share Data: | | | |
| Net asset value, beginning of period..... | \$15.56 | \$16.00 | \$15.24 |
| Income (loss) from investment operations: | | | |
| Net investment income*..... | 0.67 | 0.69 | 0.78 |
| Net realized and unrealized gain (loss)..... | (0.07) | (0.01) | 0.71 |
| Total income (loss) from investment operations..... | 0.60 | 0.68 | 1.49 |
| Less dividends and distributions from: | | | |
| Net investment income..... | (0.71) | (0.72) | (0.75) |
| Net realized gain..... | (0.25) | (0.41) | -- |
| Total dividends and distributions..... | (0.96) | (1.13) | (0.75) |
| Anti-dilutive effect of acquiring treasury shares*..... | 0.04 | 0.01 | 0.02 |
| Net asset value, end of period..... | \$15.24 | \$15.56 | \$16.00 |
| Market value, end of period..... | \$13.83 | \$14.15 | \$15.29 |
| Total Return+..... | 4.57% | (0.14)% | 20.34 |
| Ratios to Average Net Assets: | | | |
| Total expenses (before expense offset)..... | 0.55% (1) | 0.55% (1) | 0.57 |
| Net investment income..... | 4.50% | 4.68% | 5.01 |
| Supplemental Data: | | | |
| Net assets, end of period, in thousands..... | \$57,923 | \$60,862 | \$63,150 |
| Portfolio turnover rate..... | 31% | 19% | 22 |

- * 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%.

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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, 2003, 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 auditing standards generally accepted in the United States of America. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2003, by correspondence with the custodian and broker. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, 2003, 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 15, 2003

2003 FEDERAL TAX NOTICE (UNAUDITED)

During the year ended October 31, 2003, the Trust paid to its shareholders \$0.71 per share from tax-exempt income.

For the year ended October 31, 2003, the Trust paid to its shareholders \$0.23 per share from long-term capital gains.

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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) Durin Past 5 Years** |
|---|--|---|---|
|---|--|---|---|

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| | | | |
|--|----------------|----------------------------------|---|
| <p>Michael Bozic (62) c/o Mayer, Brown, Rowe & Maw LLP Counsel to the Independent Directors 1675 Broadway New York, NY</p> | <p>Trustee</p> | <p>Since April 1994</p> | <p>Retired; Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since April 1994) and the Institutional Funds (since July 2003); formerly Vice Chairman of Kmart Corporation (December 1998-October 2000), Chairman and Chief Executive Officer of Levitz Furniture Corporation (November 1995-November 1998) and President and Chief Executive Officer of Hills Department Stores (May 1991-July 1995); formerly various Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1991) of the Sears Merchandise Group of Sears, Roebuck & Co.</p> |
| <p>Edwin J. Garn (71) c/o Summit Ventures LLC 1 Utah Center 201 S. Main Street Salt Lake City, UT</p> | <p>Trustee</p> | <p>Since January 1993</p> | <p>Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since January 1993) and the Institutional Funds (since July 2003); member of the Utah Regional Advisory Board of Pacific Corp.; formerly 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, 1985), and Vice Chairman, Huntsman Corporation (chemical company).</p> |
| <p>Wayne E. Hedien (69) c/o Mayer, Brown, Rowe & Maw LLP Counsel to the Independent Directors 1675 Broadway New York, NY</p> | <p>Trustee</p> | <p>Since September 1997</p> | <p>Retired; Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003; (Since September 1997) and the Institutional Funds (since July 2003); formerly associated with the Allstate 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).</p> |

Name, Age and Address of
Independent Trustee

Other Directorships Held by
Trustee

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Michael Bozic (62)
 c/o Mayer, Brown, Rowe & Maw LLP
 Counsel to the Independent Directors
 1675 Broadway
 New York, NY

Director of Weirton Steel Corporation.

Edwin J. Garn (71)
 c/o Summit Ventures LLC
 1 Utah Center
 201 S. Main Street
 Salt Lake City, UT

Director of Franklin Covey (time management systems), BMW Bank of North America, Inc. (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.

Wayne E. Hedien (69)
 c/o Mayer, Brown, Rowe & Maw LLP
 Counsel to the Independent Directors
 1675 Broadway
 New York, NY

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.

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** |
|--|----------------------------------|---|---|
| Dr. Manuel H. Johnson (54) c/o Johnson Smick International, Inc. 2099 Pennsylvania Avenue, N.W. Suite 950 Washington, D.C. | Trustee | Since July 1991 | Chairman of the Audit Committee and Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since July 1991) and the Institutional Funds (since July 2003); Senior Partner, Johnson Smick International, Inc., a consulting firm; Co-Chairman and a founder of the Group of Seven Council (G7C), 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. |
| Joseph J. Kearns (61) PMB754 | Trustee | Since July 2003 | Deputy Chairman of the Audit Committee and Director or |

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23852 Pacific Coast Highway
Malibu, CA

Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since July 2003) and the Institutional Funds (since August 1994); previously Chairman of the Audit Committee of the Institutional Funds (October 2001-July 2003); President, Kearns & Associates LLC (investment consulting); formerly CFO of the J. Paul Getty Trust.

Michael E. Nugent (67)
c/o Triumph Capital, L.P.
445 Park Avenue
New York, NY

Trustee Since July 1991

Chairman of the Insurance Committee and Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since July 1991) and the Institutional Funds (since July 2001); General Partner of Triumph Capital, L.P., a private investment partnership; formerly Vice President, Bankers Trust Company and BT Capital Corporation (1984-1988).

Fergus Reid (71)
85 Charles Colman Blvd.
Pawling, NY

Trustee Since July 2003

Chairman of the Governance Committee and Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since July 2003) and the Institutional Funds (since June 1992); Chairman of Lumelite Plastics Corporation

| Name, Age and Address of Independent Trustee | Other Directorships Held by Trustee |
|---|---|
| <p>Dr. Manuel H. Johnson (54) c/o Johnson Smick International, Inc. 2099 Pennsylvania Avenue, N.W. Suite 950 Washington, D.C.</p> | <p>Director of NVR, Inc. (home construction); Chairman and Trustee of the Financial Accounting Foundation (oversight organization of the Financial Accounting Standards Board); Director of RBS Greenwich Capital Holdings (financial holding company).</p> |
| <p>Joseph J. Kearns (61) PMB754 23852 Pacific Coast Highway Malibu, CA</p> | <p>Director of Electro Rent Corporation (equipment leasing), The Ford Family Foundation, and the UCLA Foundation.</p> |
| <p>Michael E. Nugent (67) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY</p> | <p>Director of various business organizations.</p> |

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Fergus Reid (71)
85 Charles Colman Blvd.
Pawling, NY

Trustee and Director of
certain investment companies
in the JPMorgan Funds complex
managed by JP Morgan
Investment Management Inc.

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Morgan Stanley Insured California Municipal Securities
TRUSTEE AND OFFICER INFORMATION

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 (70) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | Chairman of the Board and Trustee | Since July 1991 | Chairman and Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since July 1991) and the Institutional Funds (since July 2003); formerly Chief Executive Officer of the Retail Funds and the TCW/DW Term Trust 2003 (until September 2002). |
| James F. Higgins (55) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | Trustee | Since June 2000 | Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since June 2000) and the Institutional Funds (since July 2003); Senior Advisor of Morgan Stanley (since August 2000); Director of the Distributor and Dean 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). |
| Philip J. Purcell (60) 1585 Broadway New York, NY | Trustee | Since April 1994 | Director or Trustee of the Retail Funds and TCW/DW Term Trust 2003 (since April 1994) and the Institutional Funds (since July 2003); Chairman of the Board of Directors and Chief Executive Officer of Morgan Stanley and Morgan |

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Stanley DW Inc.; Director of the Distributor; Chairman of the Board of Directors and Chief Executive Officer of Novus Credit Services Inc.; Director and/or officer of various Morgan Stanley subsidiaries.

| Name, Age and Address of Interested Trustee | Other Directorships Held by Trustee |
|--|---|
| Charles A. Fiumefreddo (70) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | None |
| James F. Higgins (55) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services). |
| Philip J. Purcell (60) 1585 Broadway New York, NY | Director of American Airlines, Inc. and its parent company, AMR Corporation. |

* This is the earliest date the Trustee began serving the funds advised by Morgan Stanley Investment Advisors Inc. (the "Investment Manager") (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., Morgan Stanley Investments LP 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 Manager and any funds that have an investment advisor that is an affiliated person of the Investment Manager (including but not limited to Morgan Stanley Investment Management Inc. and Morgan Stanley Investments LP).

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Morgan Stanley Insured California Municipal Securities
 TRUSTEE AND OFFICER INFORMATION continued

Officers:

| Name, Age and Address of | Position(s) Held with | Term of Office and Length of |
|--------------------------|-----------------------|------------------------------|
|--------------------------|-----------------------|------------------------------|

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| Executive Officer | Registrant | Time Served* | Principal Occupation(s) Du |
|--|--|---|---|
| Mitchell M. Merin (50) 1221 Avenue of the Americas New York, NY | President | Since May 1999 | President and Chief Operating Off Investment Management Inc.; Presi Executive Officer of the Investme Stanley Services; Chairman, Chief Director of the Distributor; Chai Transfer Agent; Director of vario subsidiaries; President Morgan St February 2003); President of the July 2003) and President of the R Trust 2003 (since May 1999); Trus President (since December 2002) o Funds; Trustee (since May 1999) a 2002) of the Van Kampen Open-End |
| Ronald E. Robison (64) 1221 Avenue of the Americas New York, NY | Executive Vice President and Principal Executive Officer | Since April 2003 | Chief Global Operations Officer a Morgan Stanley Investment Managem of Morgan Stanley & Co. Corpora Morgan Stanley; Managing Director Officer and Director of the Inves Stanley Services; Chief Executive the Transfer Agent; Executive Vic Executive Officer of the Institut 2003); and the TCW/DW Term Trust previously President of the Insti 2001-July 2003) and Director of t (March 2001-July 2003). |
| Barry Fink (48) 1221 Avenue of the Americas New York, NY | Vice President and General Counsel | Since February 1997 | General Counsel (since May 2000) (since December 2000) of Morgan S Management; Managing Director (si Secretary (since February 1997) a 1998) of the Investment Manager a Assistant Secretary of Morgan Sta Officer of Morgan Stanley Investm Vice President of the Institution Vice President and Secretary of t Secretary of the Retail Funds (Fe previously Vice President and Ass the Investment Manager and Morgan 1997-December 2001). |
| Joseph J. McAlinden (60) 1221 Avenue of the Americas New York, NY | Vice President | Since July 1995 | Managing Director and Chief Inves Investment Manager, Morgan Stanle Inc. and Morgan Stanley Investmen Transfer Agent, Chief Investment Funds; Vice President of the Inst 2003) and the Retail Funds (since |
| Stefanie V. Chang (36) 1221 Avenue of the Americas New York, NY | Vice President | Since July 2003 | Executive Director of Morgan Stan Stanley Investment Management Inc Institutional Funds (since Decemb Funds (since July 2003); formerly York law firm of Rogers & Wells (|
| Francis J. Smith (38) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | Treasurer and Chief Financial Officer | Treasurer since July 2003 and Chief Financial Officer since | Executive Director of the Investm Stanley Services (since December President of the Retail Funds (Se previously Vice President of the Morgan Stanley Services (August 2 |

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September 2002 Senior Manager at Pricewaterhouse
1998-August 2000).

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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 |
|--|--|--|--|
| Thomas F. Caloia (57) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ | Vice President | Since July 2003 | Executive Director (since Decembe Treasurer of the Investment Manag Morgan Stanley Services; previous Funds (April 1989-July 2003); for of the Investment Manager, the Di Stanley Services. |
| Mary E. Mullin (36) 1221 Avenue of the Americas New York, NY | Secretary | Since July 2003 | Vice President of Morgan Stanley Morgan Stanley Investment Managem Institutional Funds (since June 1 (since July 2003); formerly pract law firms of McDermott, Will & Em Slate, Meagher & Flom LLP. |

* 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.

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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
Philip J. Purcell
Fergus Reid

OFFICERS

Charles A. Fiumefreddo
Chairman of the Board

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Mitchell M. Merin
President

Ronald E. Robison
Executive Vice President and Principal Executive Officer

Barry Fink
Vice President and General Counsel

Joseph J. McAlinden
Vice President

Stefanie V. Chang
Vice President

Francis J. Smith
Treasurer and Chief Financial Officer

Thomas F. Caloia
Vice President

Mary E. Mullin
Secretary

TRANSFER AGENT

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

INDEPENDENT AUDITORS

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

INVESTMENT MANAGER

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) 2003 Morgan Stanley

[MORGAN STANLEY LOGO]

MORGAN STANLEY FUNDS

Morgan Stanley
Insured California
Municipal Securities

Annual Report
October 31, 2003

[MORGAN STANLEY LOGO]

38622RPT-00-13045L03-0P-12/03

Item 2. Code of Ethics.

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(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 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.

Item 4. Principal Accountant Fees and Services

Applicable only for reports covering fiscal years ending on or after December 15, 2003.

Item 5. Audit Committee of Listed Registrants.

Applicable only for reports covering periods ending on or after the earlier of (i) the first annual shareholder meeting after January 15, 2004 or (ii) October 31, 2004.

Item 6. [Reserved.]

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

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

Item 8. [Reserved.]

Item 9 - 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.

There were no significant changes or corrective actions with regard to significant deficiencies or material weaknesses in the Trust's internal controls or in other factors that could significantly affect the Trust's internal controls subsequent to the date of their evaluation.

(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.

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Item 10 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
Ronald E. Robison
Principal Executive Officer
December 18, 2003

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

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indicated.

/s/ Ronald E. Robison
Ronald E. Robison
Principal Executive Officer
December 18, 2003

/s/ Francis Smith
Francis Smith
Principal Financial Officer
December 18, 2003