

MORGAN STANLEY INSURED CALIFORNIA MUNICIPAL SEC  
Form N-CSRS  
June 30, 2004

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, 2004

Date of reporting period: April 30, 2004

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 semiannual 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 six-month period ended April 30, 2004

MARKET CONDITIONS

The U.S. economy continued to show improvement over the six-month period under review. On the positive side, gross domestic product growth topped 4 percent in both quarters. While strength in output has historically led to higher interest

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rates, yields remained stubbornly low across the curve. These yields reflected low levels of observed inflation in the economy and gradual improvement in employment. The Federal Open Market Committee maintained its accommodative monetary policy.

Surprising job growth in March, combined with escalating oil prices, led investors to anticipate that the Fed would raise interest rates sooner rather than later. Yet at its April meeting, the Federal Reserve did not change its short-term lending rate but did signal a prospective shift in policy. As a result, bond yields spiked across sectors and maturities.

The supply of new municipal bonds in calendar 2003 reached record levels as municipalities took advantage of historically low interest rates. Many cities and states reduced expenditures by refinancing existing debt at lower yields. In other cases, municipalities attempted to meet budget needs by issuing additional debt. Then in the first months of 2004, bond sales began to slow.

Low interest rates also had an impact on the demand for municipal bonds. Retail and mutual fund activity slowed as holders of municipal bonds saw little reason to sell bonds purchased at higher yields and reinvest at historically low yields. However, insurance companies and hedge funds purchased municipal bonds based on their attractiveness relative to taxable securities. Additionally, investors stretched for yield by buying lower-rated bonds, causing credit spreads to tighten.

California remained in the municipal credit market spotlight during this period. In March, voters approved a referendum authorizing the sale of up to \$15 billion of economic recovery bonds to refinance the state's accumulated budget deficit. This led the major ratings agencies to improve the outlook but not the rating for the state's beleaguered bonds. S&P shifted its stance from a stable to a positive outlook and Moody's changed from a negative to a stable outlook.

### PERFORMANCE ANALYSIS

The net asset value (NAV) of Morgan Stanley Insured California Municipal Securities (ICS) decreased from \$15.24 to \$14.91 per share for the six-month period ended April 30, 2004. Based on this change plus reinvestment of tax-free dividends totaling \$0.315 per share, short-term capital gains of \$0.004 per share and long-term capital gains of \$0.199 per share, the Trust's total NAV return was 1.49 percent. The Trust's value on the New York Stock Exchange (NYSE) decreased from \$13.83 to \$13.42 per share during the same period. Based on this change plus reinvestment of dividends and distributions, the Trust's total market return was 0.66 percent. On April 30, 2004, ICS's NYSE market price was at a 9.99 percent discount to its NAV. Past performance is no guarantee of future results.

Monthly dividends for the second quarter of 2004, declared in March, were unchanged at \$0.0525 per share. The dividend reflects the level of the Trust's

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undistributed net investment income and projected earnings power. The Trust's level of undistributed net investment income was \$0.133 per share on April 30, 2004, versus \$0.112 per share six months earlier.

The Trust's duration\* was targeted to be shorter than its benchmark index. The duration adjusted for leverage was 8.2 years. Treasury futures were sold to reduce interest-rate exposure without raising the level of cash in the portfolio. We maintained an average tax-exempt bond maturity objective of 20 years to take advantage of the steepness of the municipal yield curve. Revenue

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bonds in sectors with reliable income streams from essential services such as municipal electric, transportation and water and sewer systems were emphasized. The Trust's net assets of nearly \$56 million were diversified across 31 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.

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\* 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.

### LARGEST SECTORS

|                    |       |
|--------------------|-------|
| Water & Sewer      | 21.4% |
| General Obligation | 17.2% |
| Tax Allocation     | 15.3% |
| Mortgage           | 9.9%  |
| Transportation     | 9.4%  |

### CREDIT ENHANCEMENTS

|                        |       |
|------------------------|-------|
| Ambac                  | 35.7% |
| FGIC                   | 23.5% |
| FSA                    | 22.8% |
| MBIA                   | 13.1% |
| Connie Lee             | 2.9%  |
| U.S. Government Backed | 2.0%  |

Data as of April 30, 2004. Subject to change daily. All percentages are as a percentage of 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 securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services.

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### DISTRIBUTION BY MATURITY

(% of Long-Term Portfolio) As of April 30, 2004

WEIGHTED AVERAGE MATURITY: 19 YEARS

[BAR CHART]

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|       |    |
|-------|----|
| 1-5   | 0  |
| 5-10  | 7  |
| 10-20 | 54 |
| 20-30 | 39 |
| 30+   | 0  |

Portfolio structure is subject to change.

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CALL AND COST (BOOK) YIELD STRUCTURE

(Based on Long-Term Portfolio) As of April 30, 2004

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

[BAR CHARTS]

|          |    |
|----------|----|
| 2004 (a) | 30 |
| 2005     | 1  |
| 2006     | 3  |
| 2007     | 0  |
| 2008     | 0  |
| 2009     | 4  |
| 2010     | 2  |
| 2011     | 19 |
| 2012     | 14 |
| 2013     | 23 |
| 2014+    | 4  |

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

|          |      |
|----------|------|
| 2004 (a) | 6.30 |
| 2005     | 6.20 |
| 2006     | 6.30 |
| 2007     | 0.00 |
| 2008     | 0.00 |
| 2009     | 5.90 |
| 2010     | 5.60 |
| 2011     | 5.20 |
| 2012     | 4.90 |
| 2013     | 4.90 |
| 2014+    | 4.80 |

(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 6.3% on 30% of the long-term portfolio that is callable in 2004.

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Portfolio structure is subject to change.

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Morgan Stanley Insured California Municipal Securities  
 PORTFOLIO OF INVESTMENTS - APRIL 30, 2004 (UNAUDITED)

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE | V     |
|-------------------------------------|--|----------------|------------------|-------|
| -----                               |  |                |                  |       |
|                                     | California Tax-Exempt Municipal Bonds (96.5%)  |                |                  |       |
|                                     | General Obligation (16.6%)   |                |                  |       |
| \$ 3,000                            | California, Various Purpose Dtd 03/01/94 (FSA).....  | 5.50 %         | 03/01/20         | \$ 3, |
| 2,000                               | Los Angeles Community College District, 2001 Ser A<br>(MBIA).....                              | 5.00           | 06/01/26         | 2,    |
| 1,000                               | San Diego Unified School District,<br>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 #1 2001<br>Refg (MBIA).....                    | 5.50           | 08/01/18         | 1,    |
| 1,000                               | Upland School District, 2000 Ser 2001 B (FSA).....   | 5.125          | 08/01/25         | 1,    |
| -----                               |  |                |                  | ----- |
| 9,000                               |  |                |                  | 9,    |
| -----                               |  |                |                  | ----- |
|                                     | Educational Facilities Revenue (6.4%)  |                |                  |       |
| 1,500                               | California Educational Facilities Authority, National<br>University Ser 1994 (Connie Lee)..... | 6.20           | 05/01/21         | 1,    |
| 1,000                               | University of California,<br>Ser 2003 B (Ambac).....   | 5.00           | 05/15/21         | 1,    |
| 1,000                               | Ser 2003 A (Ambac).....  | 5.00           | 05/15/33         |       |
| -----                               |  |                |                  | ----- |
| 3,500                               |  |                |                  | 3,    |
| -----                               |  |                |                  | ----- |
|                                     | Electric Revenue (8.3%)  |                |                  |       |
| 1,000                               | Anaheim Public Financing Authority, Generation Refg Ser<br>2002-B (FSA).....                   | 5.25           | 10/01/18         | 1,    |
| 1,400                               | California Department of Water Resources, Power Supply Ser<br>2002 A (Ambac).....              | 5.375          | 05/01/18         | 1,    |
| 1,000                               | Los Angeles Department of Water & Power, 2001 Ser A<br>(FSA).....                              | 5.25           | 07/01/21         | 1,    |
| 1,000                               | Southern California Public Power Authority, Transmission<br>Refg Ser 2002 A (FSA).....         | 5.25           | 07/01/18         | 1,    |
| -----                               |  |                |                  | ----- |
| 4,400                               |  |                |                  | 4,    |
| -----                               |  |                |                  | ----- |
|                                     | Mortgage Revenue -- Multi-Family (5.2%)  |                |                  |       |
| 2,840                               | Los Angeles Community Redevelopment Agency, 1994 Ser A<br>(Ambac).....                         | 6.45           | 07/01/17         | 2,    |
| -----                               |  |                |                  | ----- |
|                                     | Mortgage Revenue - Single Family (4.3%)  |                |                  |       |
| 2,000                               | California Department of Veterans Affairs, Home Purchase<br>2002 Ser A (Ambac).....            | 5.35           | 12/01/27         | 2,    |
| 375                                 | California Housing Financing Agency, 1995 Ser B (AMT)<br>(Ambac).....                          | 6.25           | 08/01/14         |       |
| -----                               |  |                |                  | ----- |
| 2,375                               |  |                |                  | 2,    |

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|       |  |      |          |  |
|-------|--|------|----------|--|
| ----- | Public Facilities Revenue (1.8%)   |      |          |  |
| 1,000 | MidPeninsula Regional Open Space District Financing Authority, Ser 2004 (Ambac)..... | 5.00 | 09/01/34 |  |
| ----- |  |      |          |  |

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See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities  
 PORTFOLIO OF INVESTMENTS - APRIL 30, 2004 (UNAUDITED) continued

| PRINCIPAL AMOUNT IN THOUSANDS |   | COUPON RATE | MATURITY DATE | V     |
|-------------------------------|---|-------------|---------------|-------|
| -----                         | Resource Recovery Revenue (3.9%)  |             |               |       |
| \$ 2,000                      | Sacramento Financing Authority, 1999 Solid Waste & Redev (Ambac).....   | 5.75 %      | 12/01/22      | \$ 2, |
| -----                         | Tax Allocation Revenue (14.7%)  |             |               |       |
| 2,000                         | Bay Area Government Association, Pool 1994 Ser A (FSA).....   | 6.00        | 12/15/24      | 2,    |
| 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 2002 Ser A (Ambac).....                 | 5.375       | 08/01/21      | 1,    |
| 2,000                         | Poway Redevelopment Agency, Paguay Redev Ser 2003 A (MBIA).....   | 5.00        | 06/15/28      | 1,    |
| -----                         |   |             |               |       |
| 8,000                         |   |             |               | 8,    |
| -----                         | Transportation Facilities Revenue (9.0%)  |             |               |       |
| 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,    |
| 2,000                         | Orange County Transportation Authority, Toll Bridges Express Lanes Ser A (Ambac).....   | 5.00        | 08/15/20      | 2,    |
| 1,000                         | San Jose, Airport Ser 2001 A (FGIC).....  | 5.00        | 03/01/25      | 1,    |
| -----                         |   |             |               |       |
| 5,000                         |   |             |               | 5,    |
| -----                         | Water & Sewer Revenue (20.7%)   |             |               |       |
| 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 Capital Impr Ser 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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|        |  |       |          |     |  |
|--------|--|-------|----------|-----|--|
| -----  | Refunded (5.6%)  |       |          |     |  |
| 2,000  | Anaheim, Anaheim Memorial Hospital Assn 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,  |  |
| -----  |  |       |          |     |  |
| 52,515 | Total California Tax-Exempt Municipal Bonds (Cost \$51,838,389)..... |       |          | 54, |  |
| -----  |  |       |          |     |  |

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See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities  
 PORTFOLIO OF INVESTMENTS - APRIL 30, 2004 (UNAUDITED) continued

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE | V      |
|-------------------------------------|--|----------------|------------------|--------|
| -----                               |  |                |                  |        |
| \$ 1,030                            | California Short-Term Tax-Exempt Municipal Obligation (1.9%)<br>Newport Beach, Hoag Memorial/Presbyterian Hospital Ser 1992<br>(Demand 05/03/04) (Cost \$1,030,000)..... | 1.04*%         | 10/01/22         | \$ 1,  |
| -----                               |  |                |                  |        |
| \$ 53,545                           | Total Investments (Cost \$52,868,389) (a).....   |                | 98.4%            | 55,0   |
| =====                               |  |                |                  |        |
|                                     | Other Assets in Excess of Liabilities.....   |                | 1.6              | 9      |
|                                     |  |                | -----            | -----  |
|                                     | Net Assets Applicable to Common Shareholders.....  |                | 100.0%           | \$55,9 |
|                                     |  |                | =====            | =====  |
| -----                               |  |                |                  |        |

AMT Alternative Minimum Tax.  
 COPs Certificates of Participation.  
 ETM Escrowed to maturity.  
 \* Current coupon of variable rate demand obligation.  
 (a) The aggregate cost for federal income tax purposes is \$52,757,547. The aggregate gross unrealized appreciation is \$2,373,808 and the aggregate gross unrealized depreciation is \$59,211, resulting in net unrealized appreciation of \$2,314,597.

Bond Insurance:

-----  
 Ambac Ambac Assurance Corporation.  
 Connie Lee Connie Lee Insurance Company - A wholly owned subsidiary of  
 Ambac Assurance Corporation.

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

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See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities  
 FINANCIAL STATEMENTS

Statement of Assets and Liabilities  
 April 30, 2004 (unaudited)

Assets:

|   |              |
|---|--------------|
| Investments in securities, at value<br>(cost \$52,868,389)..... | \$55,072,144 |
| Cash.....   | 22,416       |
| Interest receivable.....  | 954,730      |
| Prepaid expenses and other assets....                           | 10,911       |
|   | -----        |
| Total Assets.....   | 56,060,201   |
|   | -----        |

Liabilities:

Payable for:

|  |        |
|--|--------|
| Common shares of beneficial<br>interest repurchased..... | 24,393 |
| Investment management fee.....                           | 19,113 |
| Accrued expenses and other<br>payables.....              | 35,133 |
|  | -----  |
| Total Liabilities.....                                   | 78,639 |
|  | -----  |

|   |              |
|---|--------------|
| Preferred shares of beneficial<br>interest (1,000,000 shares<br>authorized of non-participating<br>\$.01 par value, none issued)..... | --           |
|   | -----        |
| Net Assets Applicable to Common<br>Shareholders.....  | \$55,981,562 |
|   | =====        |

Composition of Net Assets Applicable  
to Common Shareholders:

|  |              |
|--|--------------|
| Common shares of beneficial interest<br>(unlimited shares authorized of<br>\$.01<br>par value, 3,753,813 shares<br>outstanding)..... | \$53,251,325 |
| Net unrealized appreciation.....   | 2,203,755    |
| Accumulated undistributed net<br>investment income.....  | 499,103      |
| Accumulated undistributed net<br>realized gain.....  | 27,379       |
|  | -----        |
| Total Net Assets Applicable to<br>Common Shareholders.....   | \$55,981,562 |
|  | =====        |

Net Asset Value Per Common Share,  
 (\$55,981,562 divided by 3,753,813



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common shares outstanding)..... \$14.91  
 =====

Statement of Operations  
 For the six months ended April 30, 2004 (unaudited)

|                                       |             |
|---------------------------------------|-------------|
| Net Investment Income:                |             |
| Interest Income.....                  | \$1,430,989 |
| -----                                 |             |
| Expenses                              |             |
| Investment management fee.....        | 100,817     |
| Professional fees.....                | 28,179      |
| Transfer agent fees and expenses..... | 13,457      |
| Shareholder reports and notices.....  | 10,255      |
| Registration fees.....                | 7,976       |
| Custodian fees.....                   | 2,702       |
| Trustees' fees and expenses.....      | 380         |
| Other.....                            | 3,838       |
| -----                                 |             |
| Total Expenses.....                   | 167,604     |
| Less: expense offset.....             | (2,666)     |
| -----                                 |             |
| Net Expenses.....                     | 164,938     |
| -----                                 |             |
| Net Investment Income.....            | 1,266,051   |
| -----                                 |             |
| Net Realized and Unrealized Gain      |             |
| (Loss):                               |             |
| Net Realized Gain (Loss) on:          |             |
| Investments.....                      | 46,490      |
| Futures contracts.....                | (4,117)     |
| -----                                 |             |
| Net Realized Gain.....                | 42,373      |
| -----                                 |             |
| Net Change in Unrealized              |             |
| Appreciation/Depreciation on:         |             |
| Investments.....                      | (643,474)   |
| Futures contracts.....                | (597)       |
| -----                                 |             |
| Net Depreciation.....                 | (644,071)   |
| -----                                 |             |
| Net Loss.....                         | (601,698)   |
| -----                                 |             |
| Net Increase.....                     | \$ 664,353  |
| =====                                 |             |

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See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities  
 FINANCIAL STATEMENTS continued

Statement of Changes in Net Assets

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|  | FOR THE SIX<br>MONTHS ENDED<br>APRIL 30, 2004 | FOR THE YEAR<br>ENDED<br>OCTOBER 31, 2003 |
|--|---|---|
|  | -----<br>(unaudited)                          | -----                                     |
| Increase (Decrease) in Net Assets:   |   |   |
| Operations:  |   |   |
| Net investment income.....   | \$ 1,266,051                                  | \$ 2,675,423                              |
| Net realized gain.....   | 42,373  | 737,514                                   |
| Net change in unrealized appreciation/depreciation.....  | (644,071)                                     | (1,077,676)                               |
|  | -----   | -----                                     |
| Net Increase.....  | 664,353                                       | 2,335,261                                 |
|  | -----   | -----                                     |
| Dividends and Distributions to Common Shareholders from:   |   |   |
| Net investment income.....   | (1,190,996)                                   | (2,736,792)                               |
| Net realized gain.....   | (769,127)                                     | (974,718)                                 |
|  | -----   | -----                                     |
| Total Dividends and Distributions.....   | (1,960,123)                                   | (3,711,510)                               |
|  | -----   | -----                                     |
| Decrease from transactions in common shares of beneficial<br>interest.....                                   | (645,204)                                     | (1,563,653)                               |
|  | -----   | -----                                     |
| Net Decrease.....  | (1,940,974)                                   | (2,939,902)                               |
| Net Assets Applicable to Common Shareholders:  |   |   |
| Beginning of period.....   | 57,922,536                                    | 60,862,438                                |
|  | -----   | -----                                     |
| End of Period  |   |   |
| (Including accumulated undistributed net investment income<br>of \$499,103 and \$424,048, respectively)..... | \$55,981,562                                  | \$57,922,536                              |
|  | =====   | =====                                     |

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See Notes to Financial Statements

Morgan Stanley Insured California Municipal Securities  
NOTES TO FINANCIAL STATEMENTS - APRIL 30, 2004 (UNAUDITED)

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 - APRIL 30, 2004 (UNAUDITED) 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 Management Agreement

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

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short-term investments, for the six months ended April 30, 2004 aggregated \$3,119,180 and \$5,385,280, respectively.

Morgan Stanley Trust, an affiliate of the Investment Manager, is the Trust's transfer agent. At April 30, 2004, the Trust had transfer agent fees and expenses payable of approximately \$1,800.

Effective April 1, 2004, the Trust began 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 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.

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Morgan Stanley Insured California Municipal Securities  
 NOTES TO FINANCIAL STATEMENTS - APRIL 30, 2004 (UNAUDITED) continued

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 April 30, 2004, 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<br>PAID IN<br>EXCESS OF<br>PAR VALUE |
|---|-----------|-----------|--|
|   | -----     | -----     | -----  |
| Balance, October 31, 2002.....                          | 3,911,313 | \$39,113  | \$55,421,069                                 |
| Treasury shares purchased and retired (weighted average |           |           |  |

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|   |           |          |              |
|---|-----------|----------|--------------|
| discount 8.44%)*.....   | (111,400) | (1,114)  | (1,562,539)  |
|   | -----     | -----    | -----        |
| Balance, October 31, 2003.....  | 3,799,913 | 37,999   | 53,858,530   |
| Treasury shares purchased and retired (weighted average discount 8.00%)*..... | (46,100)  | (461)    | (644,743)    |
|   | -----     | -----    | -----        |
| Balance, April 30, 2004.....  | 3,753,813 | \$37,538 | \$53,213,787 |
|   | =====     | =====    | =====        |

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

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Morgan Stanley Insured California Municipal Securities  
 NOTES TO FINANCIAL STATEMENTS - APRIL 30, 2004 (UNAUDITED) continued

6. Dividends to Common Shareholders

On March 30, 2004, the Trust declared the following dividends from net investment income:

| AMOUNT<br>PER SHARE | RECORD<br>DATE | PAYABLE<br>DATE |
|---------------------|----------------|-----------------|
| -----               | -----          | -----           |
| \$0.0525            | May 7, 2004    | May 21, 2004    |
| \$0.0525            | June 4, 2004   | June 18, 2004   |

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

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

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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.

As of October 31, 2003, 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.

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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 SIX<br>MONTHS ENDED<br>APRIL 30, 2004<br><br>(unaudited) | -----<br>2003<br>----- | FOR THE YEAR END<br>-----<br>2002<br>----- | 2001<br>-----  |
|--|--|------------------------|--|----------------|
| Selected Per Share Data:                                   |  |                        |  |                |
| Net asset value, beginning of period.....                  | \$15.24<br>-----   | \$15.56<br>-----       | \$16.00<br>-----                           | \$15.<br>----- |
| Income (loss) from investment operations:                  |  |                        |  |                |
| Net investment income*.....                                | 0.33   | 0.67                   | 0.69                                       | 0.             |
| Net realized and unrealized gain<br>(loss)...              | (0.15)<br>-----  | (0.07)<br>-----        | (0.01)<br>-----                            | 0.<br>-----    |
| Total income (loss) from investment<br>operations.....     | 0.18<br>-----  | 0.60<br>-----          | 0.68<br>-----                              | 1.<br>-----    |
| Less dividends and distributions from:                     |  |                        |  |                |
| Net investment income.....                                 | (0.32)   | (0.71)                 | (0.72)                                     | (0.            |
| Net realized gain.....                                     | (0.20)<br>-----  | (0.25)<br>-----        | (0.41)<br>-----                            | --<br>-----    |
| Total dividends and distributions.....                     | (0.52)<br>-----  | (0.96)<br>-----        | (1.13)<br>-----                            | (0.<br>-----   |
| Anti-dilutive effect of acquiring<br>treasury shares*..... | 0.01<br>-----  | 0.04<br>-----          | 0.01<br>-----                              | 0.<br>-----    |
| Net asset value, end of period.....                        | \$14.91<br>=====   | \$15.24<br>=====       | \$15.56<br>=====                           | \$16.<br>===== |
| Market value, end of period.....                           | \$13.42<br>=====   | \$13.83<br>=====       | \$14.15<br>=====                           | \$15.<br>===== |
| Total Return+.....   | 0.66 %(1)  | 4.57%                  | (0.14)%                                    | 20.            |

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|  |          |           |          |     |          |     |        |
|--|----------|-----------|----------|-----|----------|-----|--------|
| Ratios to Average Net Assets:                |          |           |          |     |          |     |        |
| Total expenses (before expense offset)...    | 0.58     | % (2) (3) | 0.55%    | (3) | 0.55%    | (3) | 0.     |
| Net investment income.....                   | 4.40     | % (2)     | 4.50%    |     | 4.68%    |     | 5.     |
| Supplemental Data:                           |          |           |          |     |          |     |        |
| Net assets, end of period, in thousands..... | \$55,982 |           | \$57,923 |     | \$60,862 |     | \$63,1 |
| Portfolio turnover rate.....                 | 6        | % (1)     | 31%      |     | 19%      |     |        |

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- \* 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) Not annualized.
- (2) Annualized.
- (3) Does not reflect the effect of expense offset of 0.01%.

See Notes to Financial Statements

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

Mitchell M. Merin  
 President

Ronald E. Robison  
 Executive Vice President and Principal Executive Officer

Barry Fink  
 Vice President

Joseph J. McAlinden  
 Vice President

Stefanie V. Chang

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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

The financial statements included herein have been taken from the records of the Trust without examination by the independent auditors and accordingly they do not express an opinion thereon.

Investments and services offered through Morgan Stanley DW Inc., member SIPC.

(c) 2004 Morgan Stanley

[MORGAN STANLEY LOGO]

MORGAN STANLEY FUNDS

Morgan Stanley  
Insured California  
Municipal Securities

Semiannual Report  
April 30, 2004

[MORGAN STANLEY LOGO]

38622RPT-RA04-00253P-Y04/04

Item 2. Code of Ethics.

Not applicable for semiannual reports.

Item 3. Audit Committee Financial Expert.

Not applicable for semiannual reports.



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Item 4. Principal Accountant Fees and Services

Not applicable for semiannual reports.

Item 5. Audit Committee of Listed Registrants.

Not applicable for semiannual reports.

Item 6. [Reserved.]

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

Not applicable for semiannual reports.

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.

Item 10 Exhibits

(a) Code of Ethics - Not applicable for semiannual reports.

(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  
June 22, 2004

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  
Ronald E. Robison  
Principal Executive Officer  
June 22, 2004

/s/ Francis Smith  
Francis Smith  
Principal Financial Officer  
June 22, 2004