

MORGAN STANLEY INSURED CALIFORNIA MUNICIPAL SEC
Form N-Q
September 29, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-Q
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY
Investment Company Act file number: 811-07111
Morgan Stanley Insured California Municipal Securities
(Exact name of registrant as specified in charter)**

522 Fifth Avenue, New York, New York
(Address of principal executive offices)

10036
(Zip code)

Randy Takian
522 Fifth Avenue, New York, New York 10036
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-296-6990

Date of fiscal year end: October 31, 2008

Date of reporting period: July 31, 2008

Item 1. Schedule of Investments.

The Trust's schedule of investments as of the close of the reporting period prepared pursuant to Rule 12-12 of Regulation S-X is as follows:

**Morgan Stanley Insured California Municipal Securities
Portfolio of Investments § July 31, 2008 (unaudited)**

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|---|---|----------------|------------------|------------|
| Tax-Exempt Municipal Bonds (93.4%) | | | | |
| California (91.2%) | | | | |
| \$ 235 | Alameda County Joint Powers Authority, Ser 2008 (FSA Insd) | 5.00% | 12/01/24 | \$ 240,797 |
| 185 | Alvord Unified School District, California, Ser 2007 A (FSA Insd) | 5.00 | 08/01/28 | 189,240 |
| 2,000 | Anaheim Public Financing Authority, Distribution Electric Ser 2007-A (MBIA Insd) | 4.50 | 10/01/37 | 1,810,600 |
| 2,000 | California Department of Veterans Affairs, Home Purchase 2002 Ser A (AMBAC Insd) | 5.35 | 12/01/27 | 2,027,860 |
| 1,480 | California Department of Water Resources, Central Valley Ser Y (FGIC Insd) | 5.25 | 12/01/19 | 1,568,164 |
| 2,000 | California Infrastructure & Economic Development Bank, Bay Area Toll Bridges Seismic Retrofit First Lien Ser 2003 A (FGIC Insd) (ETM) | 5.00 | 07/01/29 | 2,135,200 |
| 1,000 | California State University, Ser 2005 A (AMBAC Insd) | 5.00 | 11/01/35 | 991,099 |
| 400 | California Veterans Ser BH (AMT) (FSA Insd) | 5.40 | 12/01/16 | 402,288 |
| 1,000 | Capistrano Unified School District, Community Facilities District #98-2 Ladera Ser 2005 (FGIC Insd) | 5.00 | 09/01/29 | 942,760 |
| 3,025 | City of Fairfield Water Financing, COPs Ser 2007 A (XLCA Insd) | 0.00 | 04/01/30 | 884,056 |
| 1,055 | Fontana Unified School District, Ser 2008 B (FSA Insd) | 0.00 | 02/01/33 | 275,904 |
| 1,000 | Golden State Tobacco Securitization Corporation, Enhanced Asset Backed Ser 2005 A (FGIC Insd) | 5.00 | 06/01/38 | 901,400 |
| 775 | Grossmont Union High School District, Election of 2004 Ser 2006 (MBIA Insd) | 0.00 | 08/01/24 | 331,747 |
| 775 | Grossmont Union High School District, Election of 2004 Ser 2006 (MBIA Insd) | 0.00 | 08/01/30 | 240,514 |
| 1,280 | Huntington Beach Union High School District Ser 2004 (FSA Insd) | 5.00 | 08/01/26 | 1,304,562 |
| 1,110 | Kern County Board of Education Refg 2006 Ser A COPs (MBIA Insd) | 5.00 | 06/01/31 | 1,092,107 |
| 245 | Kern County Water Agency, Improvement District No 4 Ser 2008A COPs (AGC Insd) | 5.00 | 05/01/28 | 238,093 |
| 1,100 | La Quinta Financing Authority, Local Agency 2004 Ser A (AMBAC Insd) | 5.25 | 09/01/24 | 1,132,230 |

Edgar Filing: MORGAN STANLEY INSURED CALIFORNIA MUNICIPAL SEC - Form N-Q

| | | | | |
|-------|--|-----------|-------------|-----------|
| 1,030 | Los Angeles, Ser 2004 A (MBIA Insd) | 5.00 | 09/01/24 | 1,058,758 |
| 1,000 | Los Angeles County Metropolitan Transportation Authority Sales Tax Ser 2000 A (FGIC Insd) | 4.50 | 07/01/29(a) | 954,790 |
| 1,000 | Los Angeles Department of Water & Power, 2001 Ser A (FSA Insd) | 5.25 | 07/01/21 | 1,040,200 |
| 800 | Los Angeles Municipal Improvement Corporation, Police Headquarters Ser 2006 - A (FGIC Insd) | 4.75 | 01/01/31 | 745,624 |
| 1,000 | Los Angeles Wastewater Refg Ser 2003 B (FSA Insd) | 5.00 | 06/01/22 | 1,023,620 |
| 1,000 | Metropolitan Water District of Southern California, 2003 Ser B-2 (FGIC Insd) | 5.00 | 10/01/27 | 1,013,100 |
| 235 | Oakland Joint Powers Financing Authority, Oakland Administration Buildings Ser 2008 A (AGC Insd) | 5.00 | 08/01/26 | 230,897 |
| 1,000 | Oxnard Financing Authority, Wastewater 2004 Ser A (FGIC Insd) | 5.00 | 06/01/29 | 980,900 |
| 250 | Placer County Water Agency Water Refg COPs Ser 2008 (FSA Insd) | 4.75 | 07/01/29 | 243,840 |
| 1,000 | Rancho Mirage Redevelopment Agency, Ser 2003 A (MBIA Insd) | 5.00 | 04/01/33 | 984,600 |
| 360 | Redding Electric System, COPs Ser 2008 A (FSA Insd) | 5.00 | 06/01/27 | 366,415 |
| 500 | Riverside California Electric Revenue | 5.00 | 10/01/28 | 511,575 |
| 1,235 | Rocklin Unified School District, Community Facilities District No 2 Ser 2007 (MBIA Insd) | 0.00 | 09/01/34 | 276,566 |
| 1,255 | Rocklin Unified School District, Community Facilities District No 2 Ser 2007 (MBIA Insd) | 0.00 | 09/01/35 | 263,701 |
| 1,230 | Rocklin Unified School District, Community Facilities District No 2 Ser 2007 (MBIA Insd) | 0.00 | 09/01/36 | 243,380 |
| 1,025 | Rocklin Unified School District, Community Facilities District No 2 Ser 2007 (MBIA Insd) | 0.00 | 09/01/37 | 190,425 |
| 675 | Roseville Joint Union High School District, Election Ser 2004 C (FSA Insd) | 0.00 | 08/01/25 | 277,857 |
| 1,000 | Sacramento County Sanitation Districts Financing Authority, Refg Ser 2006 (FGIC Insd) | 5.00 | 12/01/28 | 1,008,320 |
| 180 | Sacramento City Financing Authority, 1999 Solid Waste & Redevelopment (AMBAC Insd) | 5.75 | 12/01/22 | 189,362 |
| 1,000 | San Diego County Water Authority, California, Ser 2004 A COPs (FSA Insd) | 5.00 | 05/01/29 | 1,007,330 |
| 1,000 | San Francisco City & County, City Buildings Ser 2007 A COPs (FGIC Insd) | 4.50 | 09/01/37 | 883,330 |
| 340 | San Francisco City & County, Laguna Honda Hospital RITES PA 1387 (FSA Insd) | 11.381(b) | 06/15/30 | 357,864 |
| 2,000 | San Francisco Public Utilities Commission, Water Refg Ser A 2001 (FSA Insd) | 5.00 | 11/01/31 | 2,010,561 |
| 1,000 | San Jose, Airport Ser 2001 A (FGIC Insd) | 5.00 | 03/01/25 | 1,006,210 |
| 1,000 | San Jose-Evergreen Community College District, Election Ser 2004 B (FSA Insd) | 0.00 | 09/01/32 | 271,980 |
| 1,870 | School Facilities Financing Authority | 0.00 | 08/01/33 | 456,579 |
| 1,000 | Simi Valley Public Financing Authority, Ser 2004 COPs (AMBAC Insd) | 5.00 | 09/01/30 | 967,500 |
| 1,000 | Southern California Public Power Authority, Transmission Refg Ser 2002 A (FSA Insd) | 5.25 | 07/01/18 | 1,057,310 |

Edgar Filing: MORGAN STANLEY INSURED CALIFORNIA MUNICIPAL SEC - Form N-Q

| | | | | |
|-------|--|------|----------|---------|
| 250 | Tustin Unified School Facilities District No 2002-1-2002 Election Ser 2008 C (FSA Insd) | 5.00 | 06/01/28 | 256,033 |
| 1,000 | University of California, Ser 2007- J (FSA Insd) | 4.50 | 05/15/31 | 940,159 |
| 1,000 | University of California, Ser 2007- J (FSA Insd) | 4.50 | 05/15/35 | 925,180 |

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|---|----------------|------------------|---------------|
| 1,000 | University of California Regents Ser 2007 A (MBIA Insd) | 4.50 | 05/15/37 | 915,520 |
| 1,000 | Upland School District, Election 2000 Ser 2001 B (FSA Insd) | 5.125 | 08/01/25 | 1,023,210 |
| 675 | Val Verde Unified School District of Construction COPs Ser 2005 B (FGIC Insd) | 5.00 | 01/01/30 | 590,504 |
| 1,375 | Washington Unified School District, 2004 Ser A (FGIC Insd) | 5.00 | 08/01/22 | 1,402,389 |
| 245 | West Basin Municipal Water District Revenue | 5.00 | 08/01/27 | 239,708 |
| 570 | Yosemite Community College District, Election of 2004, Ser 2008 C (FSA Insd) | 0.00 | 08/01/25 | 237,371 |
| 1,000 | Yucaipa Valley Water District, Ser 2004 A COPs (MBIA Insd) | 5.25 | 09/01/24 | 1,015,020 |
| | | | | 43,876,309 |
| | Puerto Rico (2.2%) | | | |
| 1,000 | Puerto Rico Infrastructure Financing Authority, 2000 Ser A (ETM) (c) | 5.50 | 10/01/32 | 1,036,790 |
| | Total Tax-Exempt Municipal Bonds | | | 44,913,099 |
| | <i>(Cost \$45,685,814)</i> | | | |
| | California Short-Term Tax-Exempt Municipal Obligations (5.4%) | | | |
| 2,200 | California Department of Water Resources, Power Supply Ser 2002 B Subser B-1 (Demand 08/01/08) | 2.35(d) | 05/01/22 | 2,200,000 |
| 390 | California Housing Finance Agency, Multifamily Housing Ser 2000 D (Demand 08/01/08) | 2.30(d) | 02/01/31 | 390,000 |
| | Total California Short-Term Tax-Exempt Municipal Obligations (Cost \$2,590,000) | | | 2,590,000 |
| | Total Investments | | | |
| | <i>(Cost \$48,275,814) (e) (f)</i> | | 98.8% | 47,503,099 |
| | Other Assets in Excess of Liabilities | | 1.2 | 589,353 |
| | Net Assets Applicable to Common Shareholders | | 100.0% | \$ 48,092,452 |

*Note: The categories of
investments are shown as*

a percentage of net assets applicable to common shareholders.

AMT *Alternative Minimum Tax.*

COPs *Certificates of Participation.*

ETM *Escrowed to Maturity.*

RITES *Residual Interest Tax-Exempt Security.*

(a) *Prefunded to call date shown.*

(b) *Current coupon rate for residual interest bond. This rate resets periodically as the auction rate on the related security changes. Position in an inverse floating rate municipal obligation has a value of \$357,864, which represents 0.7% of net assets applicable to common shareholders.*

(c) *A portion of this security has been physically segregated in connection with open futures contracts in the amount of \$193,773.*

- (d) *Current coupon rate of variable rate demand obligation.*
- (e) *Securities have been designated as collateral in an amount equal to \$14,789,559, in connection with open futures and swaps contracts.*
- (f) *The aggregate cost for federal income tax purposes approximates the aggregate cost for book purposes.*

Bond Insurance:

AGC Assured Guaranty Corporation.

AMBAC AMBAC Assurance Corporation.

FGIC Financial Guaranty Insurance Company.

FSA Financial Security Assurance Inc.

MBIA Municipal Bond Investors Assurance Corporation.

XLCA

*XL Capital
Assurance Inc.*

FUTURES CONTRACTS OPEN AT JULY 31, 2008:

| NUMBER OF CONTRACTS | LONG/SHORT | DESCRIPTION, DELIVERY MONTH AND YEAR | UNDERLYING FACE AMOUNT AT VALUE | UNREALIZED |
|------------------------|------------|--|--|--------------------------------|
| | | | | APPRECIATION (DEPRECIATION) |
| 126 | Long | U.S. Swaps 5 Year, September 2008 | \$ 13,590,282 | \$ 38,973 |
| 98 | Long | U.S. Swaps 10 Year, September 2008 | 10,789,188 | 77,396 |
| 11 | Long | U.S. Treasury Bonds 20 Year, September 2008 | 1,263,109 | 7,460 |
| 10 | Long | U.S. Treasury Notes 5 Year, September 2008 | 1,060,000 | (288) |
| 29 | Short | U.S. Treasury Notes 5 Year , September 2008 | (3,228,742) | (2,784) |
| 68 | Short | U.S. Treasury Bonds 20 Year, September 2008 | (7,854,000) | (16,096) |
| | | Net Unrealized Appreciation | | \$ 104,660 |

INTEREST RATE SWAP CONTRACTS OPEN AT JULY 31, 2008:

| COUNTERPARTY | NOTIONAL AMOUNT (000) | PAYMENTS RECEIVED BY FUND | PAYMENTS MADE BY FUND | DATE | UNREALIZED |
|-----------------------------|-----------------------------|------------------------------------|--------------------------------|------------------------|---|
| | | | | | TERMINATION APPRECIATION (DEPRECIATION) |
| JPMorgan Chase Bank N.A. | \$ 3,280 | Fixed Rate 5.385% | Floating Rate 0.00% | @ February 14, 2018 | \$ 13,973 |
| Bank of America N.A. | 748 | Fixed Rate 5.58 | Floating Rate 0.00 | @ February 28, 2018 | 8,318 |
| Bank of America N.A. | 935 | Fixed Rate 5.070 | Floating Rate 0.00 | @ April 14, 2018 | (7,340) |
| Bank of America N.A. | 945 | Fixed Rate 4.982 | Floating Rate 0.00 | @ April 15, 2018 | (10,376) |
| Merrill Lynch & Co. | 1,255 | Fixed Rate 5.00 | Floating Rate 0.00 | @ April 15, 2018 | (13,002) |
| JPMorgan Chase Bank N.A. | 4,190 | Floating Rate 0.00 | @ Fixed Rate 5.831 | February 14, 2023 | (35,070) |
| Bank of America N.A. | 944 | Floating Rate 0.00 | @ Fixed Rate 5.99 | February 28, 2023 | (12,027) |
| Bank of America N.A. | 1,195 | Floating Rate 0.00 | @ Fixed Rate 5.47 | April 14, 2023 | 1,840 |
| Bank of America N.A. | 1,155 | Floating Rate 0.00 | @ Fixed Rate 5.38 | April 15, 2023 | 4,620 |
| Merrill Lynch & Co. | 1,620 | Floating Rate 0.00 | @ Fixed Rate 5.395 | April 15, 2023 | 5,816 |

| | |
|--------------------------------|------------|
| Net Unrealized Depreciation | (\$43,248) |
|--------------------------------|------------|

@ *Floating rate
represents
USD-3 months
LIBOR.*

Item 2. 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-Q was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the Trust's internal control over financial reporting that occurred during the registrant's fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

Item 3. Exhibits.

(a) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto.

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/ Randy Takian

Randy Takian

Principal Executive Officer

September 18, 2008

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/ Randy Takian

Randy Takian

Principal Executive Officer

September 18, 2008

/s/ Francis Smith

Francis Smith

Principal Financial Officer

September 18, 2008