

INSURED MUNICIPAL INCOME FUND INC  
Form N-30D  
December 09, 2002

[Graphic Omitted] UBS  
Global Asset Management

Insured Municipal Income Fund Inc.  
Semiannual Report  
September 30, 2002

Insured Municipal Income Fund Inc.

November 14, 2002

DEAR SHAREHOLDER,

We present you with the semiannual report for Insured Municipal Income Fund Inc. for the six months ended September 30, 2002.

AN INTERVIEW WITH PORTFOLIO MANAGER WILLIAM VERONDA

Q: HOW DID THE FUND PERFORM DURING THE PERIOD RELATIVE TO ITS PEERS?

A: For the six months ended September 30, 2002, the Fund's net asset value advanced 8.21% and its market price increased 11.36%, underperforming its competitors as measured by the Lipper Insured Municipal Debt Funds (Leveraged) Median. The Lipper Median's net asset value and market price grew 11.01% and 12.20%, respectively. The Fund's shorter average duration compared to its peers was the primary contributor to its performance versus the benchmark. (For more performance information, please refer to "Performance At A Glance" on page 4.)

Q: COULD YOU DESCRIBE THE ECONOMIC ENVIRONMENT DURING THE PERIOD?

A: As the reporting period began, there were increasing signs that a sustained economic rebound was taking place. This prompted the Federal Reserve Board (the "Fed") to shift from an easing stance (to combat economic weakness) to a neutral stance. The change in policy appeared warranted, as gross domestic product (GDP) accelerated to a 5.0% growth rate during the first quarter of 2002. However, the uptick proved short-lived. Ongoing threats of terrorism,

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turmoil in the Middle East, anemic corporate spending, waning consumer confidence in light of the stock market's decline, and corporate accounting scandals all took their toll. The end result--second quarter 2002 GDP growth was a less-than-expected 1.3%. Although the third quarter figure came in at 4.0%, as of this writing, investors were already focusing on fourth quarter GDP, since it may be an indicator as to whether a sustainable economic recovery is likely.

Q: HOW DID THE BOND MARKET PERFORM DURING THE SIX MONTH PERIOD?

A: Given the uncertainties regarding the economy, the weak stock market, and geopolitical concerns, the bond market rallied sharply during the period. Investors

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INSURED MUNICIPAL  
INCOME FUND INC.

INVESTMENT GOAL:

High level of current  
income exempt from  
federal income tax,  
consistent with  
preservation of capital.

PORTFOLIO MANAGER:

William Veronda,  
UBS Global Asset  
Management (US) Inc.

COMMENCEMENT:  
June 8, 1993

NYSE SYMBOL:  
PIF

DIVIDEND PAYMENTS:  
Monthly

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Insured Municipal Income Fund Inc.

were drawn to the relative safety and strong performance offered by fixed income securities in general, and the municipal market participated in this upswing.

Q: WHILE THE FUND GENERATED STRONG ABSOLUTE RETURNS, IT LAGGED ITS BENCHMARK DURING THE PERIOD. WHAT WERE SOME OF THE FACTORS THAT LED TO THE FUND'S RELATIVE UNDERPERFORMANCE?

A: To some extent, our goal of limiting the Fund's capital gains adversely affected its results during the period. Based on the municipal market's strong performance in recent years, nearly every security in the portfolio

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has risen in price. To avoid locking in capital gains, we've tended to hold on to our positions. Consequently, some of the bonds in the Fund's portfolio have "aged" to the point where they have short maturities. With a shorter duration than the benchmark, the Fund underperformed its peers in the falling interest rate environment.

Q: HOW ARE YOU CURRENTLY POSITIONING THE FUND'S PORTFOLIO?

A: We are continuing to selectively focus on bonds that have longer durations, typically those with maturities that more accurately reflect the municipal market as a whole. This positioning has increased the Fund's flexibility to purchase what we believe are attractively structured and priced municipal securities. In particular, we're focusing on bonds with maturities in the 15- to 20-year range, as we believe these issues offer a "sweet spot" in terms of their risk/reward characteristics: while we give up a little bit of yield versus 30-year issues, 15- to 20-year bonds are less volatile than their longer-term counterparts.

Q: TO ILLUSTRATE YOUR INVESTMENT STRATEGY, PLEASE DESCRIBE SOME HOLDINGS THAT YOU PURCHASED DURING THIS REPORTING PERIOD?

A: Our purchase of Chicago, Illinois insured bonds--Chicago Project-Ser. A--which mature in 2042 and offer a 5% coupon, is one result of our focus on longer duration securities. The timing of our purchase proved advantageous, as these securities have already appreciated roughly 9% in value compared to their issuance price (as of period end).

Post period-end, we purchased Georgia Municipal Electric Authority bonds. We purchased a large block of these quality securities at an attractive price. These bonds mature in 2018 and provide a 5% coupon.

Q: WERE THERE ANY SECTORS OF THE MARKET THAT YOU PLACED MORE EMPHASIS ON DURING THE PERIOD?

A: The Fund's portfolio tends to be highly diversified. When an overweight of a particular sector occurs, it is due to the fact that we view it as being highly attractive.

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Insured Municipal Income Fund Inc.

Q: LASTLY, WHAT IS YOUR SHORT-TERM AND LONG-TERM OUTLOOK FOR THE MARKET?

A: We believe a modest economic expansion will take hold and that a double-dip recession--while possible--is unlikely. Given a subdued growth rate, we feel that interest rates will remain in a trading range--a change from the falling rate environment we've seen over the past few years. As such, we anticipate continuing our strategy of emphasizing longer-term securities at attractive points on the yield curve. We will also continue to stress credit quality in the portfolio to avoid any "contagion" from weakness in the corporate bond markets.

Our ultimate objective in managing your investments is to help you successfully meet your financial goals. We thank you for your continued support and welcome any comments or questions you may have. For additional information on the UBS Funds,\* please contact your financial advisor or visit us at [www.ubs.com](http://www.ubs.com).

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Sincerely,

/s/ Brian M. Storms  
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Brian M. Storms  
PRESIDENT  
Insured Municipal Income Fund Inc.  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
UBS Global Asset Management (US) Inc.

/s/ William Veronda  
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William Veronda  
  
PORTFOLIO MANAGER  
Insured Municipal Income Fund Inc.  
EXECUTIVE DIRECTOR  
UBS Global Asset Management (US) Inc.

This letter is intended to assist shareholders in understanding how the Fund performed during the six months ended September 30, 2002, and reflects our views at the time of its writing. Of course, these views may change in response to changing circumstances. We encourage you to consult your financial advisor regarding your personal investment program.

\* Mutual funds are sold by prospectus only. The prospectus for the fund contains more complete information regarding risks, charges and expenses, and should be read carefully before investing.

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Insured Municipal Income Fund Inc.

PERFORMANCE AT A GLANCE

AVERAGE ANNUAL RETURN, PERIODS ENDED 9/30/02

NET ASSET VALUE RETURNS	FUND	LIPPER MEDIAN*
6 Months	8.21%	11.01%
1 Year	8.76	10.84
3 Years	8.22	10.08
5 Years	6.36	6.70
Since Inception 6/8/93*	6.06	6.96

MARKET PRICE RETURNS

	FUND	LIPPER MEDIAN*
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6 Months	11.36%	12.20%
1 Year	13.77	12.08
3 Years	11.29	11.26
5 Years	7.68	6.64
Since Inception 6/8/93*	5.77	6.84

\* Inception returns for Lipper Insured Municipal Debt Funds (Leveraged) Median are shown as of nearest month-end of the Fund's inception: May 31, 1993.

Past performance does not predict future performance. The return and principal value of an investment will fluctuate, so that an investor's shares, when sold, may be worth more or less than their original cost. NAV return assumes, for illustration only, that dividends were reinvested at the net asset value on the ex-dividend dates. Market price return assumes dividends were reinvested under the Dividend Reinvestment Plan. NAV and market returns for periods of one year or less have not been annualized.

Lipper peer group data calculated by Lipper Inc.; used with permission. The Lipper Median is the return of the fund that places in the middle of the peer group.

SHARE PRICE, DIVIDEND AND YIELDS AS OF 9/30/02

Market Price	\$14.51
Net Asset Value	\$15.96
12-Mo. Dividend (ended 9/30/02)	\$0.790
September 2002 Dividend	\$0.070
Market Yield**	5.79%
NAV Yield**	5.26%
IPO Yield**	5.60%

\*\* Market yield is calculated by multiplying the September dividend by 12 and by dividing by the month-end market price. NAV yield is calculated by multiplying the month-end dividend by 12 and by dividing by the month-end net asset value. IPO yield is calculated by multiplying the month-end dividend by 12 and dividing by the initial public offering price. Prices and yields will vary.

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PORTFOLIO STATISTICS

CHARACTERISTICS	9/30/02		3/31/02		9/30/01
Net Assets Applicable to Common Shareholders (mm)	\$329.3		\$312.6		\$318.5
Weighted Average Maturity*	12.9 yrs		12.3 yrs		13.0 yrs
Weighted Average Duration*	3.2 yrs		3.9 yrs		3.5 yrs
Weighted Average Coupon*	5.5%		5.4%		5.8%
AMT Paper**	0%		0%		0%
Leverage**	31.0%		32.0%		32.0%
Callable/Maturing within Five Years*	26.5%		30.5%		31.1%
Callable/Maturing beyond Five Years*	73.5%		69.5%		68.9%
CREDIT QUALITY***	9/30/02		3/31/02		9/30/01
AAA/Aaa	140.5%		140.3%		142.9%
SP-1/MIG-1	2.8		5.8		1.5
A1/P1	0.3		0.9		0.6
Other Assets in Excess of Liabilities	2.0		1.0		2.1
Liquidation Value of Auction Preferred Shares	(45.6)		(48.0)		(47.1)
TOTAL	100.0%		100.0%		100.0%
TOP TEN STATES***	9/30/02		3/31/02		9/30/01
Texas	27.0%	Texas	27.2%	Texas	25.4%
Illinois	17.7	Pennsylvania	14.9	Illinois	21.1
Pennsylvania	13.9	Illinois	13.2	Pennsylvania	16.0
Rhode Island	10.2	Rhode Island	10.6	Rhode Island	10.5
Indiana	6.7	Indiana	7.2	Nevada	8.2
Kentucky	5.7	Washington	6.9	Indiana	7.1
Washington	5.2	Kentucky	6.2	Kentucky	6.6
California	4.9	California	6.0	California	5.0
Alabama	4.6	Alabama	4.8	Alabama	4.8
Michigan	4.6	Louisiana	4.7	Louisiana	4.5

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TOTAL	100.5%	TOTAL	101.7%	TOTAL	109.2%
TOP FIVE SECTORS***	9/30/02		3/31/02		9/30/01
Water	28.9%	Water	30.9%	Water	33.0%
Power	27.1	Power	29.0	Power	26.3
Hospital	22.7	Hospital	22.9	Hospital	24.7
General Obligations	14.1	Sales Tax	14.8	Sales Tax	15.9
Sales Tax	13.4	General Obligations	12.1	General Obligations	14.0
TOTAL	106.2%	TOTAL	109.7%	TOTAL	113.9%

\* Weightings represent percentages of portfolio assets as of the dates indicated. The Fund's portfolio is actively managed and its composition will vary over time.

\*\* As a percentage of total assets.

\*\*\* As a percentage of net assets applicable to common shareholders as of the dates indicated.

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Insured Municipal Income Fund Inc.

Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
LONG-TERM MUNICIPAL BONDS--140.48%						
ALABAMA--4.73%						
\$1,590	Alabama Water Pollution Control Authority Revolving Fund Loan Series A (AMBAC Insured)	Aaa	AAA	08/15/17	6.750%	\$1,789,000
5,400	Birmingham Baptist Medical Center-Special Care Facilities Financing Authority Revenue Series A (MBIA Insured)	Aaa	AAA	08/15/23	5.500	5,534,350
8,000	Jefferson County Sewer Revenue-Series A (FGIC Insured)	Aaa	AAA	02/01/27	5.375	8,262,880

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						15,586,23
CALIFORNIA--5.06%						
4,000	California State Department of Water Resources Water Revenue Series W (FSA Insured)	Aaa	AAA	12/01/14	5.500	4,778,28
30	California State General Obligation (FGIC Insured)	Aaa	AAA	11/01/12	7.000	33,91
970	California State General Obligation (Pre-refunded with U.S. Government Securities to 11/01/04 @ 102) (FGIC Insured) Aaa	AAA		11/01/12	7.000	1,101,35
1,585	Contra Costa Water District Water Revenue Series F (FGIC Insured)	Aaa	AAA	10/01/13	6.000	1,608,96
2,000	Long Beach Finance Authority Lease Revenue-Aquarium of the South Pacific (AMBAC Insured)	Aaa	AAA	11/01/15	5.500	2,314,02
2,250	Los Angeles Wastewater System Revenue-Series A (MBIA Insured)	Aaa	AAA	06/01/20	5.700	2,336,24
4,000	San Francisco City & County Airport Commission International Airport Second Series 27B (FGIC Insured)	Aaa	AAA	05/01/15	5.250	4,496,20
						16,668,97
COLORADO--1.32%						
5,000	E-470 Public Highway Authority Revenue-Capital Appreciation Series B (MBIA Insured)	Aaa	AAA	09/01/07	5.3300	4,353,80

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UBS Global Asset Management

Insured Municipal Income Fund Inc.

Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL AMOUNT (000)	MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
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LONG-TERM MUNICIPAL BONDS--(CONTINUED)

DELAWARE--3.16%

\$10,000	Delaware State Economic Development Authority Pollution Control Revenue Delmarva Power-Series B (MBIA Insured)	Aaa	AAA	06/01/21	5.900%	\$10,412,50
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DISTRICT OF COLUMBIA--1.39%

4,000	District of Columbia Hospital Revenue-Medlantic Healthcare-Series A (Escrowed to Maturity) (MBIA Insured)	Aaa	AAA	08/15/14	5.750	4,585,12
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ILLINOIS--18.17%

8,000	Central Lake County Joint Action Water Agency Interim Water Revenue (FGIC Insured)	Aaa	AAA	05/01/20	5.375	8,206,40
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8,400	Chicago O'Hare International Airport Revenue-Second Lien Series A (MBIA Insured)	Aaa	AAA	01/01/15	6.375	9,257,38
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3,000	Chicago O'Hare International Airport Revenue-Second Lien Series B (MBIA Insured)	Aaa	AAA	01/01/15	5.500	3,086,46
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1,000	Chicago Project & Refunding Series A (MBIA Insured)	Aaa	AAA	01/01/14	5.500	1,141,24
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4,600	Chicago Public Building Commission-Building Revenue Series A (Pre-refunded with U.S. Government Securities to 12/01/03 @ 102) (MBIA Insured)	Aaa	AAA	12/01/18	5.750	4,917,03
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9,325	Chicago Project Series A (AMBAC Insured)	Aaa	AAA	01/01/42	5.000	9,555,14
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4,000	Illinois Development Finance Authority Pollution Control Revenue-Commonwealth Edison Co. Project-Series D (AMBAC Insured)	Aaa	AAA	03/01/15	6.750	4,517,60
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4,500	Illinois Health Facilities Authority Revenue-Franciscan Sisters Health Care-Series C (Escrowed to Maturity) (MBIA Insured)	Aaa	AAA	09/01/18	5.750	5,334,12
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2,000	Illinois Sales Tax Revenue Series 2 (FGIC Insured)	Aaa	AAA	06/15/16	5.500	2,330,22
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3,000	Kane McHenry Cook & De Kalb Counties-United School District No. 300					
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PRINCIPAL AMOUNT (000)	MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
(MBIA Insured)	Aaa	AAA	12/01/15	5.500	3,421,50
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Insured Municipal Income Fund Inc.					
Portfolio of Investments-- September 30, 2002 (unaudited)					
PRINCIPAL AMOUNT (000)					
LONG-TERM MUNICIPAL BONDS--(CONTINUED)					
ILLINOIS--(CONCLUDED)					
\$4,850					
Metropolitan Pier & Exposition Authority Illinois McCormick Place Expansion-Series A (MBIA Insured)	Aaa	AAA	06/15/42	5.250%	\$5,108,84
2,000					
Regional Transportation Authority-Series A (Pre-refunded with U.S. Government Securities to 06/01/03 @ 102) (FGIC Insured)	Aaa	AAA	06/01/23	5.850	2,097,98
750					
Regional Transportation Authority-Series C (Pre-refunded with U.S. Government Securities to 06/01/04 @ 102) (FGIC Insured)	Aaa	AAA	06/01/25	7.100	832,93
					59,806,86
INDIANA--6.93%					
2,500					
Indiana Health Facilities Finance Authority Hospital Revenue Columbus Regional Hospital (FSA Insured)	Aaa	AAA	08/15/22	5.500	2,578,35
7,835					
Indianapolis Gas & Utilities Revenue-Series A (FGIC Insured)	Aaa	AAA	06/01/21	5.375	8,032,83
12,000					
Marion County Convention Center and Recreational Facilities Authority-Excise Tax Reveune-Lease Rental-Series A (AMBAC Insured)	Aaa	AAA	06/01/21	5.500	12,202,44

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22,813,62

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IOWA--1.46%						
4,625	Ames Hospital Revenue Mary Greeley Medical Center Project					
	(AMBAC Insured)	Aaa	AAA	08/15/22	5.750	4,820,68

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KENTUCKY--5.98%						
17,530	Louisville & Jefferson County Metropolitan Sewer District Sewer & Drain System Series A (Pre-refunded with U.S. Government Securities to 11/15/04 @ 102)					
	(AMBAC Insured)	Aaa	AAA	05/15/24 to 05/15/25	6.500 to 6.750	19,700,02

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Insured Municipal Income Fund Inc.

Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
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LONG-TERM MUNICIPAL BONDS-- (CONTINUED)

LOUISIANA--1.12%						
\$1,710	Louisiana Public Facilities Authority Revenue Tulane University Series A-1 (FGIC Insured)	Aaa	AAA	02/15/18	5.750%	\$1,761,38

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1,870	Louisiana Public Facilities Authority Revenue Tulane University Series A-1 (Pre-refunded with U.S. Government Securities to 02/15/03 @ 102) (FGIC Insured)	Aaa	AAA	02/15/18	5.750	1,937,22
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3,698,61

MAINE--3.05%						
4,785	Maine Health & Higher Educational Facilities Authority Revenue-Series A (FSA Insured)	Aaa	AAA	07/01/23	5.500	5,178,23

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3,105 Maine Health & Higher

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	Educational Facilities Authority Revenue-Series A (Escrowed to Maturity) (FSA Insured)	Aaa	AAA	07/01/23	5.500	3,197,15
1,500	Maine Health & Higher Educational Facilities Authority Revenue-Series B (Pre-refunded with U.S. Government Securities to 07/01/04 @ 102) (FSA Insured)	Aaa	AAA	07/01/24	7.000	1,669,96
						10,045,35
MASSACHUSETTS--0.74%						
2,200	Massachusetts State Construction Loan Series D (MBIA Insured)	Aaa	AAA	08/01/20	5.375	2,419,45
MICHIGAN--1.94%						
6,255	Michigan State Housing Development Authority Rental Housing Revenue Series A (AMBAC Insured)	Aaa	AAA	04/01/23	5.900	6,394,42
NEVADA--4.27%						
2,000	Clark County Sanitation District (FGIC Insured)	Aaa	AAA	07/01/11	5.700	2,075,86
4,000	Washoe County Gas & Water Facilities Revenue Sierra Pacific Power Co. Project-Series B (MBIA Insured)	Aaa	AAA	06/01/23	5.900	4,165,00
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Insured Municipal Income Fund Inc.

Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL AMOUNT (000)	MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
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LONG-TERM MUNICIPAL BONDS-- (CONTINUED)

NEVADA-- (CONCLUDED)

\$7,500	Washoe County Water Facilities Revenue Sierra Pacific Power Co.				
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Project-Series A (MBIA Insured)		Aaa	AAA	06/01/23	5.900%	\$7,809,37
						14,050,23
NEW HAMPSHIRE--1.56%						
5,000	New Hampshire Higher Educational & Health Facilities Authority Revenue Lakes Region Hospital Association (FGIC Insured)	Aaa	AAA	01/01/17	5.500	5,121,65
NEW JERSEY--1.68%						
5,000	Salem County Industrial Pollution Control Financing Authority Revenue Public Service Electric & Gas- Series D (MBIA Insured)	Aaa	AAA	10/01/29	6.550	5,531,00
NEW MEXICO--4.29%						
8,850	Gallup Pollution Control Revenue-Plains Electric Generation (MBIA Insured)	Aaa	AAA	08/15/17	6.650	9,057,09
4,700	Santa Fe Revenue (Pre-refunded with U.S. Government Securities to 06/01/04 @ 100) (AMBAC Insured)	Aaa	AAA	06/01/24	6.300	5,066,41
						14,123,50
NEW YORK--3.52%						
2,000	Long Island Power Authority Electric System Revenue- Series A (FSA Insured)	Aaa	AAA	12/01/22	5.125	2,079,40
5,000	Metropolitan Transportation Authority Revenue- Series A (AMBAC Insured)	Aaa	AAA	11/15/16	5.500	5,735,85
2,115	New York City General Obligation-Series J (MBIA Insured)	Aaa	AAA	08/01/13	5.375	2,385,23
1,250	New York State Thruway Authority-Highway & Bridge Trust Fund-Series C (FGIC Insured)	Aaa	AAA	04/01/10	5.250	1,397,57
						11,598,05

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Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
LONG-TERM MUNICIPAL BONDS-- (CONTINUED)						
OHIO--1.68%						
\$3,000	Cleveland Public Power System Revenue-First Mortgage-Series A (Pre-refunded with U.S. Government Securities to 11/15/04 @ 102) (MBIA Insured)	Aaa	AAA	11/15/24	7.000%	\$3,397,44
1,870	Ohio Water Development Authority-Pollution Control Facilities Revenue-Water Control Loan Fund-Water Quality Series (MBIA Insured)	Aaa	AAA	06/01/13	5.500	2,116,91
						5,514,35
PENNSYLVANIA--14.36%						
6,130	North Wales Water Authority- Series A (FGIC Insured)	Aaa	AAA	11/01/16	5.500	6,357,23
16,435	Pennsylvania Intergovernmental Cooperative Authority Special Tax Revenue Philadelphia Funding Program (Pre-refunded with U.S. Government Securities to 06/15/03 @ 100) (MBIA Insured)	Aaa	AAA	06/15/15 to 06/15/23	5.600 to 5.625	16,913,98
2,675	Pennsylvania Intergovernmental Cooperative Authority Special Tax Reveune Philadelphia Funding Program (Pre-refunded with U.S. Government Securities to 06/15/05 @ 100) (FGIC Insured)	Aaa	AAA	06/15/14	7.000	3,044,04
2,000	Philadelphia General Obligation (FSA Insured)	Aaa	AAA	03/15/13 to 03/15/14	5.250	2,219,21
3,750	Philadelphia School District- Series A (MBIA Insured)	Aaa	AAA	04/01/16	5.250	4,126,42
5,885	Philadelphia Water & Wastewater Revenue (FSA Insured)	Aaa	AAA	06/15/15	5.500	6,139,40
8,085	Philadelphia Water &					

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Wastewater Revenue (Pre-refunded with U.S. Government Securities to 06/15/03 @ 102) (FSA Insured)	Aaa	AAA	06/15/15	5.500	8,473,88
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47,274,20

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Insured Municipal Income Fund Inc.

Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL AMOUNT (000)	MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
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LONG-TERM MUNICIPAL BONDS--(CONTINUED)

RHODE ISLAND--10.55% \$14,000 Rhode Island Convention Center Authority-Series A (Pre-refunded with U.S. Government Securities to 05/15/03 @ 102) (AMBAC Insured)	Aaa	AAA	05/15/27	5.750%	\$14,649,46
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10,000 Rhode Island Depositors Economic Protection Corp. Special Obligation-Series A (Escrowed to Maturity) (FSA Insured)	Aaa	AAA	08/01/14	5.750	12,046,00
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7,000 Rhode Island Depositors Economic Protection Corp. Special Obligation-Series B (Pre-refunded with U.S. Government Securities to 02/01/11 @ 100) (MBIA Insured)	Aaa	AAA	08/01/21	5.250	8,031,38
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34,726,84

SOUTH CAROLINA--2.40% 2,625 Charleston County Hospital Facilities Revenue-Bon Secours Health System Project (Escrowed to Maturity) (FSA Insured)	Aaa	AAA	08/15/25	5.625	2,761,65
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5,000 South Carolina Public Service Authority Revenue-Series A (MBIA Insured)	Aaa	AAA	07/01/21	5.500	5,150,65
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							7,912,30
TENNESSEE--1.56%							
5,000	Sullivan County Health Educational & Housing Facilities Board Revenue-Holston Valley Health (MBIA Insured)	Aaa	AAA	02/15/20	5.750	5,140,05	
TEXAS--27.80%							
7,000	Austin Utilities System Revenue (AMBAC Insured)	Aaa	AAA	11/15/16	5.750	7,037,45	
7,945	Bexar Metropolitan Water District Waterworks System Revenue (MBIA Insured)	Aaa	AAA	05/01/22	5.875	8,662,43	
5,730	Bexar Metropolitan Water District Waterworks System Revenue (Pre-refunded with U.S. Government Securities to 05/01/05 @ 102) (MBIA Insured)	Aaa	AAA	05/01/22	5.875	6,432,95	

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Insured Municipal Income Fund Inc.

Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
LONG-TERM MUNICIPAL BONDS-- (CONTINUED)						
TEXAS-- (CONCLUDED)						
\$7,720	Colorado River Municipal Water District Water Revenue (AMBAC Insured)	Aaa	AAA	01/01/21	5.150%	\$7,731,96
2,120	Frisco Certificates Obligation Series A (FGIC Insured)	Aaa	AAA	02/15/14	5.250	2,356,316
3,000	Harris County Toll Road Sub-Lien (FGIC Insured)	Aaa	AAA	08/01/09	6.000	3,538,980
6,000	Houston Water & Sewer System Revenue-Junior Lien-Series A (FSA Insured)	Aaa	AAA	12/01/15	5.500	6,838,020
7,000	Houston Water & Sewer System Revenue-Junior					

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	Lien-Series C (FGIC Insured)	Aaa	AAA	12/01/22	5.250	7,318,01
2,000	Jefferson County (FGIC Insured)	Aaa	AAA	08/01/20	5.250	2,157,64
3,620	Lower Colorado River Authority Revenue-Series B (FSA Insured)	Aaa	AAA	05/15/13	6.000	4,221,64
10,000	Lubbock Health Facilities Developement Corp.-Hospital Revenue Methodist Hospital-Series A (Pre-refunded with U.S. Government Securities to 12/01/05 @ 100) (AMBAC Insured)	Aaa	AAA	12/01/22	5.900	11,267,90
9,005	Matagorda County Navigation District No. 1 Revenue-Houston Light & Power-Series A (AMBAC Insured)	Aaa	AAA	03/01/27	6.700	9,219,31
9,500	San Antonio Electric & Gas Revenue-Capital Appreciation-Series A (Escrowed to Maturity) (AMBAC Insured)	Aaa	AAA	02/01/05	3.280@	9,050,27
155	San Antonio Water Revenue (MBIA Insured)	Aaa	AAA	05/15/16	6.000	179,28
720	San Antonio Water Revenue (Pre-refunded with U.S. Government Securities to 05/15/07 @ 100) (MBIA Insured)	Aaa	AAA	05/15/16	6.000	870,09
4,170	Williamson County General Obligation (FSA Insured)	Aaa	AAA	02/15/17	5.500	4,652,05
						91,534,33

UBS Global Asset Management

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Insured Municipal Income Fund Inc.

Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL  
AMOUNT  
(000)

MOODY'S  
RATING

S&P  
RATING

MATURITY  
DATES

INTEREST  
RATES

VALUE

LONG-TERM MUNICIPAL BONDS-- (CONCLUDED)

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WASHINGTON--5.34%

\$3,220	Cowlitz County School District No. 458 Kelso	Aaa	NR	12/01/15 to 12/01/18	5.750%	\$3,739,80
2,175	Energy Northwest Electric Revenue-Project No. 1 Series A (MBIA Insured)	Aaa	AAA	07/01/15	5.750	2,531,30
2,000	King County School District No. 403 Renton (FGIC Insured)	Aaa	AAA	12/01/14	5.250	2,189,24
5,000	Metropolitan Seattle Sewer Revenue-Series W (Pre-refunded with U.S. Government Securities to 01/01/03 @ 102) (MBIA Insured)	Aaa	AAA	01/01/33	6.300	5,160,70
3,625	Snohomish County School District No. 015 Edmonds (FGIC Insured)	Aaa	AAA	12/01/15	5.250	3,967,99
						17,589,04

WEST VIRGINIA--3.86%

10,000	Marshall County Pollution Control Revenue-Ohio Power Project-Series D (MBIA Insured)	Aaa	AAA	04/01/22	5.900	10,360,30
2,245	West Virginia Water Development Authority Water Development Revenue Loan Program II Series A-II (FSA Insured)	Aaa	AAA	11/01/29	5.750	2,357,36
						12,717,66

WISCONSIN--2.56%

1,500	Wisconsin Health & Educational Facilities Authority Revenue Bellin Memorial Hospital (AMBAC Insured)	Aaa	AAA	02/15/19	5.500	1,537,60
3,500	Wisconsin State Health & Educational Facilities Authority Revenue-Hospital Sisters Health Services (MBIA Insured)	Aaa	AAA	06/01/18	5.375	3,599,19
3,000	Wisconsin State Transportation Revenue-Series A (MBIA Insured)	Aaa	AAA	07/01/15	5.500	3,299,28
						8,436,07

Total Long-Term Municipal Bonds (cost--\$427,409,236) 462,574,98

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UBS Global Asset Management

Insured Municipal Income Fund Inc.

Portfolio of Investments-- September 30, 2002 (unaudited)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	VALUE
SHORT-TERM MUNICIPAL NOTES--3.07%						
\$100	Pinellas County Health Facilities Authority Revenue Pooled Hospital Loan Program (AMBAC Insured)	VMIG-1	A-1+	10/01/02	2.000%*	\$100,00
MICHIGAN--2.74%						
9,000	University of Michigan-Medical Service Plan-Series A	VMIG-1	A-1+	10/01/02	2.100*	9,000,00
TENNESSEE--0.27%						
900	Metropolitan Nashville Airport Authority-Special Facilities Revenue-American Airlines Project-Series A	NR	A-1+	10/01/02	2.000	*900,00
TEXAS--0.03%						
100	Harris County Industrial Development Corp. Pollution Control Revenue	VMIG-1	A-1+	10/01/02	2.000*	100,00
Total Short-Term Municipal Notes (cost--\$10,100,000)						10,100,00
Total Investments (cost--\$437,509,236)--143.55%						472,674,98
Other assets in excess of liabilities--2.00%						6,589,27
Liquidation value of Auction Preferred Shares--(45.55%)						(150,000,00)
Net assets applicable to common shareholders--100.00%						\$329,264,25

\* Variable rate demand notes are payable on demand. The maturity dates shown are the next interest rate reset dates. The interest rates shown are the current rates as of September 30, 2002.

@ Interest rates shown reflect yield to maturity at purchase date for zero coupon bonds.

NR -- Not Rated

AMBAC -- American Municipal Bond Assurance Corporation

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FGIC -- Financial Guaranty Insurance Company  
 FSA -- Financial Security Assurance Incorporated  
 MBIA -- Municipal Bond Investors Assurance

See accompanying notes to financial statements

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 UBS Global Asset Management 15

Insured Municipal Income Fund Inc.

Statement of Assets and Liabilities-- September 30, 2002 (unaudited)

ASSETS:

Investments in securities, at value (cost--\$437,509,236)	\$472,674,986
-----	
Cash	209,580
-----	
Interest receivable	7,136,069
-----	
Other assets	8,395
-----	
Total assets	480,029,030

LIABILITIES:

Payable to investment advisor and administrator	303,961
-----	
Dividends payable to preferred shareholders	61,164
-----	
Accrued expenses and other liabilities	399,647
-----	
Total liabilities	764,772

Auction Preferred Shares Series A, B, C & D--3,000

non-participating shares authorized, issued and outstanding; \$0.001 par value; \$50,000 liquidation value per share	150,000,000
-----	

Net assets applicable to common shareholders	\$329,264,258
-----	

NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS:

Common Stock--\$0.001 par value; 199,997,000 shares authorized; 20,628,363 shares issued and outstanding	302,699,678
-----	
Undistributed net investment income	2,988,821
-----	
Accumulated net realized loss from investment transactions	(11,589,991)
-----	
Net unrealized appreciation of investments	35,165,750
-----	
Net assets applicable to common shareholders	\$329,264,258

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-----  
 Net asset value per common share (\$329,264,258 applicable to  
 20,628,363 common shares outstanding) \$15.96  
 -----

See accompanying notes to financial statements

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UBS Global Asset Management

Insured Municipal Income Fund Inc.

Statement of Operations

For the Six  
 Months Ended  
 September 30, 2002  
 (unaudited)

-----  
 INVESTMENT INCOME:  
 Interest \$12,392,724  
 -----  
 EXPENSES:  
 Investment advisory and administration fees 2,123,260  
 -----  
 Auction Preferred Shares expenses 254,891  
 -----  
 Custody and accounting 141,551  
 -----  
 Professional fees 35,224  
 -----  
 Reports and notices to shareholders 33,325  
 -----  
 Transfer agency fees 9,690  
 -----  
 Directors' fees 3,741  
 -----  
 Other expenses 24,611  
 -----  
2,626,293  
 -----  
 Less: Fee waivers from investment advisor (294,897)  
 -----  
 Net expenses 2,331,396  
 -----  
 Net investment income 10,061,328  
 -----  
 REALIZED AND UNREALIZED GAINS FROM INVESTMENT ACTIVITIES:  
 Net realized gains from investment transactions 182,286  
 -----  
 Net change in unrealized appreciation/depreciation of investments 16,183,206  
 -----

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Net realized and unrealized gains from investment activities	16,365,492
Dividends to preferred shareholders from net investment income	(1,050,518)
Net increase in net assets applicable to common shareholders resulting from operations	\$25,376,302

See accompanying notes to financial statements

UBS Global Asset Management	17
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Insured Municipal Income Fund Inc.

Statement of Changes in Net Assets Applicable to Common Shareholders

	For the Six Months Ended September 30, 2002 (unaudited)	For the Year Ended March 31, 2002
FROM OPERATIONS:		
Net investment income	\$10,061,328	\$ 20,805,399
Net realized gains from investment transactions	182,286	2,513,666
Net change in unrealized appreciation/depreciation of investments	16,183,206	(7,763,700)
Dividends to preferred shareholders from net investment income	(1,050,518)	(3,512,380)
Net increase in net assets applicable to common shareholders resulting from operations	25,376,302	12,042,965
DIVIDENDS TO COMMON SHAREHOLDERS FROM:		
Net investment income	(8,663,912)	(15,058,700)
Net increase (decrease) in net assets applicable to common shareholders	16,712,390	(3,015,735)
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS:		
Beginning of period	312,551,868	315,567,603
End of period (including undistributed net investment income)		

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of \$2,988,821 and \$2,641,923, respectively)

\$329,264,258

\$312,551,86

See accompanying notes to financial statements

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UBS Global Asset Management

Insured Municipal Income Fund Inc.

Notes to Financial Statements (unaudited)

ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Insured Municipal Income Fund Inc. (the "Fund") was incorporated in Maryland on February 18, 1993, and is registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, as a closed-end diversified management investment company. The Fund's investment objective is to achieve a high level of current income that is exempt from federal income tax, consistent with the preservation of capital.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires Fund management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies:

VALUATION OF INVESTMENTS--The Fund calculates its net asset value based on the current market value, where available, for its portfolio securities. The Fund normally obtains market values for its securities from independent pricing sources and broker-dealers. Independent pricing sources may use reported last sale prices, current market quotations or valuations from computerized "matrix" systems that derive values based on comparable securities. If a market value is not available from an independent pricing source for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors (the "Board"). The amortized cost method of valuation, which approximates market value, generally is used to value short-term debt instruments with sixty days or less remaining to maturity, unless the Board determines that this does not represent fair value.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME--Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated using the identified cost method. Interest income is recorded on an accrual basis. Discounts are accreted and premiums are amortized as adjustments to interest income and the identified cost of investments.

DIVIDENDS AND DISTRIBUTIONS--The Fund intends to pay monthly dividends to common shareholders at a level rate that over time will result in the distribution of all of the Fund's net investment income remaining after the payment of dividends on any outstanding preferred shares. The dividend rate on the common stock is adjusted as necessary to reflect the performance of the Fund. Dividends and distributions to common shareholders are recorded on the ex-dividend date.

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Dividends to preferred shareholders are accrued daily. The amount of dividends from net investment income and distributions from net realized capital gains is determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States. 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 capi-

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UBS Global Asset Management

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Insured Municipal Income Fund Inc.

Notes to Financial Statements (unaudited)

tal accounts based on their federal tax-basis treatment; temporary differences do not require reclassification.

### CONCENTRATION OF RISK

The Fund follows an investment policy of investing primarily in municipal obligations of various states. Economic changes affecting those states and certain of their public bodies and municipalities may affect the ability of the issuers within those states to pay interest on, or repay principal of, municipal obligations held by the Fund.

### INVESTMENT ADVISOR AND ADMINISTRATOR

The Board has approved an investment advisory and administration contract ("Advisory Contract") with UBS Global Asset Management (US) Inc. ("UBS Global AM") under which UBS Global AM serves as investment advisor and administrator of the Fund. UBS Global AM is an indirect wholly owned asset management subsidiary of UBS AG, an internationally diversified organization with headquarters in Zurich, Switzerland and operations in many areas of the financial services industry. In accordance with the Advisory Contract, the Fund pays UBS Global AM an investment advisory and administration fee, which is accrued weekly and paid monthly, at the annual rate of 0.90% of the Fund's average weekly net assets. For the six months ended September 30, 2002, UBS Global AM voluntarily waived \$294,897 in investment advisory and administration fees from the Fund.

### COMMON STOCK

There are 199,997,000 shares of \$0.001 par value common stock authorized and 20,628,363 common shares outstanding at September 30, 2002.

### AUCTION PREFERRED SHARES

The Fund has issued 800 shares of Auction Preferred Shares Series A, 800 shares of Auction Preferred Shares Series B, 800 shares of Auction Preferred Shares Series C and 600 shares of Auction Preferred Shares Series D, which are referred to herein collectively as the "APS." All shares of each series of APS have a liquidation preference of \$50,000 per share plus an amount equal to accumulated but unpaid dividends upon liquidation.

Dividends, which are cumulative, are generally reset every 7 days for APS Series A, 28 days for APS Series B, 90 days for APS Series C and 7 days for APS Series D. Dividend rates ranged from 1.249% to 1.650% for the six months ended September 30, 2002.

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The Fund is subject to certain restrictions relating to the APS. Failure to comply with these restrictions could preclude the Fund from declaring any distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of APS at liquidation value.

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UBS Global Asset Management

Insured Municipal Income Fund Inc.

Notes to Financial Statements (unaudited)

The APS are entitled to one vote per share and, unless otherwise required by law, will vote with holders of common stock as a single class, except that the preferred shares will vote separately as a class on certain matters, as required by law. The holders of the preferred shares have the right to elect two directors of the Fund.

FEDERAL TAX STATUS

For federal income tax purposes, the components of net unrealized appreciation of investments at September 30, 2002 were as follows:

Gross appreciation (investments having an excess value over cost) ..	\$35,233,399
Gross depreciation (investments having an excess of cost over value) .....	(67,649)
	-----
Net unrealized appreciation of investments .....	\$35,165,750
	=====

At September 30, 2002, the components of accumulated earnings on a tax basis were substantially the same as for financial reporting purposes.

The tax character of distributions paid to shareholders during the period ended September 30, 2002 and the fiscal year ended March 31, 2002, was tax-exempt income.

For the six months ended September 30, 2002, total aggregate purchases and sales of portfolio securities, excluding short-term securities, were \$27,430,016 and \$19,978,636, respectively. The Fund intends to distribute substantially all of its tax-exempt income and any taxable income and to comply with the other requirements of the Internal Revenue Code applicable to regulated investment companies. Accordingly, no provision for federal income taxes is required. In addition, by distributing during each calendar year substantially all of its net investment income, net realized capital gains and certain other amounts, if any, the Fund intends not to be subject to a federal excise tax.

At March 31, 2002, the Fund had a net capital loss carryforward of \$695,006 which is available as a reduction, to the extent provided in the regulations, of future net realized capital gains and will expire on March 31, 2003. To the extent that such losses are used to offset future capital gains, such gains will not be distributed.

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UBS Global Asset Management

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Insured Municipal Income Fund Inc.

Financial Highlights

Selected data for a share of common stock outstanding throughout each period is presented below:

	FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)	2002	2001	2000	1999	1998
NET ASSET VALUE, BEGINNING OF PERIOD	\$15.15	\$15.30	\$14.54	\$15.58	\$15.40	\$14.10
Net investment income	0.49	1.01	1.04	1.04	1.02	1.03
Net realized and unrealized gains (losses) from investment activities	0.79	(0.26)	0.79	(1.05)	0.18	1.30
Common share equivalent of dividends paid to preferred shareholders from net investment income	(0.05)	(0.17)	(0.31)	(0.26)	(0.25)	(0.26)
Net increase (decrease) from operations applicable to common shareholders	1.23	0.58	1.52	(0.27)	0.95	2.07
Dividends paid to common shareholders from net investment income	(0.42)	(0.73)	(0.76)	(0.77)	(0.77)	(0.77)
NET ASSET VALUE, END OF PERIOD	\$15.96	\$15.15	\$15.30	\$14.54	\$15.58	\$15.40
MARKET VALUE, END OF PERIOD	\$14.51	\$13.42	\$13.11	\$12.00	\$14.25	\$13.56
TOTAL INVESTMENT RETURN (1)	11.36%	8.04%	16.02%	(10.49)%	10.96%	19.70%
RATIO TO AVERAGE NET ASSETS ATTRIBUTABLE TO COMMON SHARES:						
Total expenses, net of waivers from advisor	1.45%*	1.42%	1.44%	1.44%	1.46%	1.49%
Total expenses, before waivers from advisor	1.64%*	1.61%	1.63%	1.63%	1.65%	1.74%
Net investment income before preferred stock dividends	6.26%*	6.57%	7.00%	7.05%	6.58%	6.84%
Preferred stock dividends	0.65%*	1.11%	2.10%	1.75%	1.60%	1.75%

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Net investment income available to common shareholders, net of waivers from advisor	5.61%*	5.46%	4.90%	5.30%	4.98%	5.09%
Net investment income available to common shareholders, before waivers from advisor	5.42%*	5.27%	4.71%	5.11%	4.79%	4.84%
SUPPLEMENTAL DATA:						
Net assets applicable to common shareholders, end of period (000's)	\$329,264	\$312,552	\$315,568	\$299,876	\$321,361	\$317,761
Portfolio turnover	4%	14%	2%	8%	5%	6%
Asset coverage per share of preferred stock, end of period	\$159,755	\$154,184	\$155,189	\$149,959	\$157,120	\$155,920

\* Annualized.

- (1) Total investment return is calculated assuming a \$10,000 purchase of common stock at the current market price on the first day of each period reported and a sale at the current market price on the last day of each period reported, and assuming reinvestment of dividends and other distributions to common shareholders at prices obtained under the Fund's Dividend Reinvestment Plan. Total investment return does not reflect brokerage commissions and has not been annualized for the period less than one year.

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UBS Global Asset Management

Insured Municipal Income Fund Inc.

### GENERAL INFORMATION (UNAUDITED)

#### THE FUND

Insured Municipal Income Fund Inc. (the "Fund") is a diversified, closed-end management investment company whose shares trade on the New York Stock Exchange ("NYSE"). The Fund's investment objective is to achieve a high level of current income that is exempt from federal income tax, consistent with the preservation of capital. The Fund's investment advisor and administrator is UBS Global Asset Management (US) Inc. ("UBS Global AM"), an indirect wholly owned asset management subsidiary of UBS AG, which has over \$71.4 billion in assets under management as of October 31, 2002.

Effective May 20, 2002, William Veronda assumed primary responsibility for the day-to-day management of the Fund. Mr. Veronda is an Executive Director and portfolio manager of UBS Global AM. Mr. Veronda joined UBS Global AM in September 1995 and has led its municipal research group since that date. Mr. Veronda previously served as the portfolio manager for PaineWebber Municipal High Income Fund from September 1995 until March 2001.

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### INVESTMENT POLICY CHANGES

The Fund's Board approved modifications to the Fund's investment policies as a result of a new rule promulgated by the Securities and Exchange Commission. This rule generally requires a fund with a name suggesting that it focuses on a particular type of investment to invest at least 80% of its net assets (plus the amount of any borrowing for investment purposes) in the type of investment suggested by its name. The investment policy changes became effective on April 8, 2002. These changes are not expected to affect materially portfolio management.

The new 80% policy has been adopted as a "fundamental" investment policy; the Fund may not deviate from this 80% policy without shareholder approval. Many of the Fund's other investment policies are non-fundamental policies and may be changed by its board without shareholder approval. The Fund will interpret these new policies as if the following phrase appeared immediately after the words "net assets": "(plus the amount of any borrowing for investment purposes)." If subsequent to an investment, the Fund's 80% policy is no longer met (e.g., bonds are called resulting in a large influx of cash), then under normal circumstances, the Fund's future investments would be made in a manner that would bring the Fund's investments back in line with the 80% threshold.

In order to place these changes in context, reproduced below are prior policies that were impacted by this change as well as new policies which replace the prior policies:

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UBS Global Asset Management

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Insured Municipal Income Fund Inc.

### GENERAL INFORMATION (UNAUDITED)

### INVESTMENT POLICY CHANGES (CONTINUED)

### PRIOR POLICIES IMPACTED BY CHANGE:

The Fund normally invests substantially all of its assets in a diversified portfolio of long-term Municipal Obligations that are insured as to the timely payment of both principal and interest by an entity that, at the time of investment, has a claims-paying ability rated Aaa by Moody's, AAA by S&P or an equivalent rating by another NRSRO or (with respect to 20% of the Fund's total assets) that are, at the time of investment (1) backed by an escrow or trust account containing sufficient U.S. government or U.S. government agency securities to ensure the timely payment of principal and interest; (2) guaranteed as to timely payment of principal and interest by an entity which has a credit rating of Aaa by Moody's, AAA by S&P or an equivalent rating by another NRSRO; or (3) not insured, guaranteed or backed by escrows but rated Aaa by Moody's, AAA by S&P or an equivalent rating by another NRSRO. All the Municipal Obligations described above will have, at the time of investment, ratings of Aaa from Moody's, AAA from S&P or equivalent ratings from another NRSRO or (with respect to

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the Municipal Obligations described in (1) above), if unrated, will have been determined by the investment advisor to be of comparable quality to Municipal Obligations that have received such ratings. In addition, the Fund under normal circumstances invests at least 65% of its total assets in income producing securities. "Long-term" means Municipal Obligations with maturities in excess of 10 years.

The Fund normally invests substantially all of its assets in long-term Municipal Obligations. However, in order to invest cash reserves or when, in the opinion of the investment advisor, no suitable long-term Municipal Obligations are available, the Fund may invest up to 20% of its total assets in high quality short-term Municipal Obligations that are rated, at the time of investment, no lower than MIG-2 by Moody's, SP-2 by S&P or the equivalent by another NRSRO or, if unrated, that are determined by the investment advisor to be of comparable quality to Municipal Obligations that are rated at least MIG-2 or SP-2. These short-term Municipal Obligations may include variable or floating rate demand notes and similar instruments that trade as short-term obligations. For temporary defensive purposes, the Fund may invest without limit in such short-term Municipal Obligations. In addition, if in the opinion of the investment advisor no suitable short-term Municipal Obligations are available, the Fund temporarily may hold cash and, with respect to up to 20% of its total assets, invest in taxable money market instruments.

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UBS Global Asset Management

Insured Municipal Income Fund Inc.

GENERAL INFORMATION (UNAUDITED)

INVESTMENT POLICY CHANGES (CONTINUED)

REVISED POLICIES:

The Fund normally invests substantially all of its assets in a diversified portfolio of long-term Municipal Obligations. Under normal circumstances, the Fund invests at least 80% of its net assets in insured Municipal Obligations, the income from which is exempt from regular federal income tax. "Insured Municipal Obligations" are Municipal Obligations that are insured as to the timely payment of both principal and interest by an entity that, at the time of investment, has a claims-paying ability rated Aaa by Moody's, AAA by S&P or an equivalent rating by another NRSRO. The Fund may invest up to 20% of its net assets in Municipal Obligations that are not insured but that are, at the time of investment, (1) backed by an escrow or trust account containing sufficient U.S. government or U.S. government agency securities to ensure the timely payment of principal and interest; (2) guaranteed as to timely payment of principal and interest by an entity which has a credit rating of Aaa by Moody's, AAA by S&P or an equivalent rating by another NRSRO; or (3) not insured, guaranteed or backed by escrows but rated Aaa by Moody's, AAA by S&P or an equivalent rating by another NRSRO. All the Municipal Obligations described above will have, at the time of investment, ratings of Aaa from Moody's, AAA from S&P or equivalent ratings from another NRSRO or (with respect to

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the Municipal Obligations described in (1) above), if unrated, will have been determined by the investment advisor to be of comparable quality to Municipal Obligations that have received such ratings. "Long-term" means Municipal Obligations with maturities in excess of 10 years at the time of purchase.

The Fund normally invests substantially all of its assets in long-term Municipal Obligations. However, in order to invest cash reserves or when, in the opinion of the investment advisor, no suitable long-term Municipal Obligations are available, the Fund may invest up to 20% of its net assets in high quality short-term Municipal Obligations that are rated, at the time of investment, no lower than MIG-2 by Moody's, SP-2 by S&P or the equivalent by another NRSRO or, if unrated, that are determined by the investment advisor to be of comparable quality to Municipal Obligations that are rated at least MIG-2 or SP-2. These short-term Municipal Obligations may include variable or floating rate demand notes and similar instruments that trade as short-term obligations. For temporary defensive purposes, the Fund may invest without limit in such short-term Municipal Obligations. In addition, if in the opinion of the investment advisor no suitable short-term Municipal Obligations are available, the Fund temporarily

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Insured Municipal Income Fund Inc.

GENERAL INFORMATION (UNAUDITED)

INVESTMENT POLICY CHANGES (CONCLUDED)

may hold cash and, with respect to up to 20% of its net assets, invest in taxable money market instruments.

SHAREHOLDER INFORMATION

The Fund's NYSE trading symbol is "PIF." Comparative net asset value and market price information about the Fund is published weekly in THE WALLSTREET JOURNAL, THE NEW YORK TIMES and BARRON'S, as well as in numerous other publications.

An annual meeting of shareholders of the Fund was held on July 18, 2002. At the meeting Margo N. Alexander, Richard Q. Armstrong, David J. Beaubien, E. Garrett Bewkes, Jr., Richard R. Burt, Meyer Feldberg, George W. Gowen, William W. Hewitt, Jr., Morton L. Janklow, Frederic V. Malek, Carl W. Schafer and William D. White were elected to serve as directors until the next annual meeting of shareholders, or until their successors are elected and qualified. The shares were voted as indicated below:

COMMON STOCK AND APS SHARES VOTING AS A SINGLE CLASS

TO VOTE FOR OR WITHHOLD AUTHORITY IN THE ELECTION OF:	SHARES VOTED FOR	SHARES WITHHOLD AUTHORITY
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Richard Q. Armstrong	19,847,112.49	199,676.94

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David J. Beaubien	19,846,950.49	199,838.94
E. Garrett Bewkes, Jr.	19,845,882.49	200,906.94
Richard R. Burt	19,676,469.49	370,319.94
George W. Gowen	19,838,498.49	208,290.94
William W. Hewitt, Jr.	19,839,485.49	207,303.94
Morton L. Janklow	19,681,145.49	365,643.94
Frederic V. Malek	19,688,491.49	358,297.94
Carl W. Schafer	19,688,857.49	357,931.94
William D. White	19,689,270.49	357,518.94

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 AUCTION PREFERRED SHARES

TO VOTE FOR OR WITHHOLD AUTHORITY IN THE ELECTION OF:	SHARES VOTED FOR	SHARES WITHHOLD AUTHORITY
Margo N. Alexander	2,874	20
Meyer Feldberg	2,874	20

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 Broker non-votes were as follows: common stock--584,467.57 shares; and Auction Preferred Shares--106 shares.

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Insured Municipal Income Fund Inc.

GENERAL INFORMATION (UNAUDITED)

DIVIDEND REINVESTMENT PLAN

The Fund's Board has established a Dividend Reinvestment Plan (the "Plan") under which all common shareholders whose shares are registered in their own names, or in the name of UBS PaineWebber Inc. or its nominee, will have all dividends and other distributions on their shares of common stock automatically reinvested in additional shares of common stock, unless such common shareholders elect to receive cash. Common shareholders who elect to hold their shares in the name of another broker or nominee should contact such broker or nominee to determine whether, or how, they may participate in the Plan. The ability of such shareholders to participate in the Plan may change if their shares are transferred into the name of another broker or nominee.

A common shareholder may elect not to participate in the Plan or may terminate participation in the Plan at any time without penalty, and common shareholders who have previously terminated participation in the Plan may rejoin it at any time. Changes in elections must be made in writing to the Fund's transfer agent and should include the shareholder's name and address as they appear on the share certificate or in the transfer agent's records. An election to terminate participation in the Plan, until such election is changed, will be deemed an election by a common shareholder to take all subsequent distributions in cash. An election will be effective only for distributions declared and having a record date at least ten days after the date on which the election is received.

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Additional shares of common stock acquired under the Plan will be purchased in the open market, on the NYSE or otherwise, at prices that may be higher or lower than the net asset value per share of the common stock at the time of the purchase. The number of shares of common stock purchased with each dividend will be equal to the result obtained by dividing the amount of the dividend payable to a particular shareholder by the average price per share (including applicable brokerage commissions) that the transfer agent was able to obtain in the open market. The Fund will not issue any new shares of common stock in connection with the Plan. There currently is no charge to participants for reinvesting dividends or other distributions. The transfer agent's fees for handling the reinvestment of distributions will be paid by the Fund. However, each participant pays a pro rata share of brokerage commissions incurred with respect to the transfer agent's open market purchases of common stock in connection with the reinvestment of distributions. The automatic reinvestment of dividends and other distributions in shares of common stock does not relieve participants of any income tax that may be payable on such distributions.

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Insured Municipal Income Fund Inc.

GENERAL INFORMATION (UNAUDITED)

DIVIDEND REINVESTMENT PLAN (CONCLUDED)

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan with respect to any dividend or other distribution if notice of the change is sent to Plan participants at least 30 days before the record date for such distribution. The Plan also may be amended or terminated by the transfer agent by at least 30 days' written notice to all Plan participants. Additional information regarding the Plan may be obtained from, and all correspondence concerning the Plan should be directed to, the transfer agent at PFPC Inc., P.O. Box 43027, Providence, Rhode Island 02940-3027. For further information regarding the Plan, you may also contact the transfer agent directly at 1-800-331-1710.

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Insured Municipal Income Fund Inc.

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DIRECTORS

E. Garrett Bewkes, Jr.  
CHAIRMAN

George W. Gowen  
William W. Hewitt, Jr.

Margo N. Alexander

Morton L. Janklow

Richard Q. Armstrong

Frederic V. Malek

David J. Beaubien

Carl W. Schafer

Richard R. Burt

William D. White

Meyer Feldberg

PRINCIPAL OFFICERS

Brian M. Storms  
PRESIDENT

Paul H. Schubert  
VICE PRESIDENT AND TREASURER

Amy R. Doberman  
VICE PRESIDENT AND SECRETARY

Elbridge T. Gerry III  
VICE PRESIDENT

INVESTMENT ADVISOR AND  
ADMINISTRATOR

UBS Global Asset Management (US) Inc.  
51 West 52nd Street  
New York, New York 10019-6114

NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940 THAT FROM TIME TO TIME THE FUND MAY PURCHASE SHARES OF ITS COMMON STOCK IN THE OPEN MARKET AT MARKET PRICES.

THE FINANCIAL INFORMATION INCLUDED HEREIN IS TAKEN FROM THE RECORDS OF THE FUND WITHOUT EXAMINATION BY INDEPENDENT AUDITORS WHO DO NOT EXPRESS AN OPINION THEREON.

THIS REPORT IS SENT TO THE SHAREHOLDERS OF THE FUND FOR THEIR INFORMATION. IT IS NOT A PROSPECTUS, CIRCULAR OR REPRESENTATION INTENDED FOR USE IN THE PURCHASE OR SALE OF SHARES OF THE FUND OR OF ANY SECURITIES MENTIONED IN THIS REPORT.

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