

INSURED MUNICIPAL INCOME FUND INC
Form N-Q
March 02, 2009

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: 811-07528

Insured Municipal Income Fund Inc.

(Exact name of registrant as specified in charter)
51 West 52nd Street, New York, New York 10019-6114

(Address of principal executive offices) (Zip code)

Mark F. Kemper, Esq.
UBS Global Asset Management
51 West 52nd Street
New York, NY 10019-6114

(Name and address of agent for service)

Copy to:
Jack W. Murphy, Esq.
Dechert LLP
1775 I Street, N.W.
Washington, DC 20006-2401

Registrant's telephone number, including area code: 212-882 5000

Date of fiscal year end: March 31

Date of reporting period: December 31, 2008

Item 1. Schedule of Investments

Insured Municipal Income Fund Inc.

Schedule of investments December 31, 2008 (unaudited)

<u>Security description</u>	<u>Moody's rating</u>	<u>S&P rating</u>	<u>Face amount (\$)</u>	<u>Value (\$)</u>
Long-term municipal bonds 174.06%				
California 25.76%				
Los Angeles Community College District Refunding-Election 2001-Series A (FSA Insured),				
5.000%, due 08/01/25	Aa2	AAA	5,000,000	4,966,400
5.000%, due 06/01/26	Aa2	AAA	9,000,000	8,886,330
Los Angeles County Sanitation Districts Financing Authority Revenue-Capital Projects-Series A (FSA Insured),				
5.000%, due 10/01/20	Aa2	AAA	8,475,000	8,693,909
Los Angeles Water & Power Revenue-Power System-Series B (FSA Insured),				
5.000%, due 07/01/25	Aa3	AAA	6,000,000	5,855,160
Manteca Financing Authority Water Revenue-Series A (MBIA, Inc. Insured),				
4.750%, due 07/01/33	A3	AA	15,000,000	12,592,350
Metropolitan Water District of Southern California Waterworks Revenue-Series A (FSA Insured),				
5.000%, due 07/01/35	Aa2	AAA	10,000,000	9,603,000
Oxnard Financing Authority Wastewater Revenue-Redwood Trunk Sewer & Headworks-Series A (FGIC Insured),				
5.250%, due 06/01/34	NR	AA	7,160,000	6,568,369
Sacramento County Sanitation District Financing Authority Revenue Refunding (AMBAC Insured),				
5.000%, due 12/01/27	Aa3	AA	5,000,000	4,719,300
San Francisco City & County Public Utilities Commission Water Revenue-Series A (MBIA, Inc. Insured),				
5.000%, due 11/01/25	A1	AA	3,000,000	2,827,020
				<hr/> 64,711,838 <hr/>
District of Columbia 2.88%				
District of Columbia Water & Sewer Authority Public Utility Revenue-Subordinate Lien Revenue (FGIC Insured),				
5.000%, due 10/01/33	A1	AA	6,000,000	5,294,160
Metropolitan Washington, D.C. Airport Authority Airport System Revenue-Series A (MBIA, Inc. Insured),				
5.250%, due 10/01/16 ⁽¹⁾	Aa3	AA	2,000,000	1,938,580
				<hr/> 7,232,740 <hr/>
Florida 17.43%				
Florida State Board of Education-Capital Outlay-Series E (FGIC Insured),				
5.000%, due 06/01/24	Aa1	AAA	8,000,000	8,039,520
Florida State Board of Education Lottery Revenue-Series B (BHAC-CR MBIA, Inc. Insured),				
5.000%, due 07/01/26 ^{(2),(3)}	Aaa	AAA	14,000,000	13,903,260
Hillsborough County Port District Revenue-Tampa Port Authority Project-Series A (MBIA, Inc. Insured),				
5.750%, due 06/01/16 ⁽¹⁾	A2	AA	1,060,000	1,062,141
5.750%, due 06/01/17 ⁽¹⁾	A2	AA	1,115,000	1,108,344
5.750%, due 06/01/18 ⁽¹⁾	A2	AA	1,175,000	1,148,586
5.750%, due 06/01/19 ⁽¹⁾	A2	AA	1,240,000	1,192,706

Insured Municipal Income Fund Inc.

Schedule of investments December 31, 2008 (unaudited)

Security description	Moody's rating	S&P rating	Face amount (\$)	Value (\$)
Long-term municipal bonds (continued)				
Florida (concluded)				
Miami-Dade County Aviation Revenue Refunding-Miami International Airport-Series B (XLCA Insured), 5.000%, due 10/01/18 ⁽¹⁾	A2	A-	10,000,000	8,886,300
Miami-Dade County Expressway Authority Toll System Revenue-Series B (FGIC Insured), 5.250%, due 07/01/26	A3	AA	3,000,000	2,939,490
Miami-Dade County School Board-Certificates of Participation-Series A (FGIC Insured), 5.000%, due 05/01/21	A3	AA	6,000,000	5,509,800
				<u>43,790,147</u>
Georgia 6.85%				
Atlanta Airport Revenue Refunding-Series D (FGIC Insured), 5.250%, due 01/01/15 ⁽¹⁾	A1	AA	11,545,000	11,130,881
Columbus Building Authority Lease Revenue-Series A (FGIC Insured), 5.250%, due 01/01/16	Aa3	AA	1,015,000	1,093,287
George L Smith II World Congress Center Authority Revenue Refunding-Domed Stadium Project (MBIA, Inc. Insured), 5.750%, due 07/01/14 ⁽¹⁾	Baa1	AA	5,000,000	4,967,500
Georgia Municipal Electric Authority Power Revenue-Series Y (Escrowed to Maturity) (MBIA, Inc.-IBC Insured), 10.000%, due 01/01/10	A2	AA	15,000	16,337
				<u>17,208,005</u>
Illinois 28.33%				
Chicago Board of Education-Series D (FSA Insured), 5.000%, due 12/01/21	Aa3	AAA	9,885,000	10,105,139
5.000%, due 12/01/25	Aa3	AAA	8,705,000	8,617,428
Chicago General Obligation-Unrefunded Balance-Series A (FSA Insured), 5.000%, due 01/01/25	Aa3	AAA	260,000	260,229
5.000%, due 01/01/26	Aa3	AAA	350,000	348,414
Chicago O'Hare International Airport Revenue, Series A (FSA Insured), 5.000%, due 01/01/19	Aa3	AAA	8,960,000	9,335,693
Series B (FSA Insured), 5.000%, due 01/01/18	Aa3	AAA	10,670,000	11,244,899
Chicago Transit Authority Capital Grant Receipts Revenue-Federal Transit Administration Section 5309 (Assured Guaranty Insured), 5.250%, due 06/01/26	Aa2	AAA	6,500,000	6,523,660
Chicago Transit Authority Capital Grant Receipts Revenue-Federal Transit Administration Section 5309-Series A (Assured Guaranty Insured), 6.000%, due 06/01/24	Aa2	AAA	11,000,000	11,835,230
Chicago Wastewater Transmission Revenue Refunding-Second Lien-Series B (FSA-CR FGIC Insured), 5.000%, due 01/01/25	Aa3	AAA	5,000,000	4,989,100

Insured Municipal Income Fund Inc.

Schedule of investments December 31, 2008 (unaudited)

Security description	Moody's rating	S&P rating	Face amount (\$)	Value (\$)
Long-term municipal bonds (continued)				
Illinois (concluded)				
Illinois Health Facilities Authority Revenue-Franciscan Sisters Health Care-Series C (Escrowed to Maturity) (MBIA, Inc. Insured), 5.750%, due 09/01/18	Baa1	AA	4,500,000	5,213,295
Metropolitan Pier & Exposition Authority Dedicated State Tax-Series A-2002 (Escrowed to Maturity) (FGIC Insured), 5.500%, due 12/15/23	A1	AAA	2,395,000	2,706,997
				<u>71,180,084</u>
Indiana 4.21%				
Indiana Health & Educational Facilities Financing Authority Hospital Revenue Refunding-Clarian Health Obligation Group-Series B, 5.000%, due 02/15/30	A2	A+	5,000,000	3,386,950
Indianapolis Airport Authority Revenue Refunding-Special Facilities-Fed Ex Corp. Project, 5.100%, due 01/15/17 ⁽¹⁾	Baa2	BBB	8,000,000	6,143,200
Indiana University Revenue-Student Fee-Series O (FGIC Insured), 5.250%, due 08/01/18	Aa1	AA	1,000,000	1,047,510
				<u>10,577,660</u>
Maine 5.61%				
Maine Health & Higher Educational Facilities Authority Revenue-Series A (Escrowed to Maturity) (FSA Insured), 5.500%, due 07/01/23	Aa3	AAA	4,785,000	4,872,996
Maine Health & Higher Educational Facilities Authority Revenue-Series A (MBIA, Inc. Insured), 5.000%, due 07/01/29	Aa3	NR	10,200,000	9,228,858
				<u>14,101,854</u>
Massachusetts 2.86%				
Massachusetts State Port Authority Revenue-US Airways Project (MBIA, Inc. Insured), 6.000%, due 09/01/21 ⁽¹⁾	Baa1	AA	1,500,000	1,154,130
Massachusetts State School Building Authority Dedicated Sales Tax Revenue-Series A (FSA Insured), 5.000%, due 08/15/25	Aa2	AAA	6,000,000	6,016,440
				<u>7,170,570</u>
Michigan 1.99%				
Michigan State Hospital Finance Authority Revenue Refunding-Trinity Health Credit Group-Series D, 5.000%, due 08/15/25	Aa2	AA	5,525,000	4,996,976
Minnesota 1.91%				

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Minneapolis & St. Paul Metropolitan Airport Commission Airport Revenue-Series B
(FGIC Insured),

6.000%, due 01/01/19 ^{(1),(4)}	NR	AA	5,000,000	<u>4,807,600</u>
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Insured Municipal Income Fund Inc.

Schedule of investments December 31, 2008 (unaudited)

Security description	Moody's rating	S&P rating	Face amount (\$)	Value (\$)
Long-term municipal bonds (continued)				
Nevada 2.76%				
Clark County-Bond Bank-Unrefunded Balance (MBIA, Inc. Insured), 5.000%, due 06/01/32	Aa1	AA+	7,820,000	6,923,359
New Mexico 3.28%				
University of New Mexico Revenue-Hospital Mortgage (FSA-FHA Insured), 5.000%, due 01/01/23	Aa3	AAA	4,130,000	4,076,847
5.000%, due 07/01/23	Aa3	AAA	4,230,000	4,167,861
				8,244,708
New York 23.63%				
Metropolitan Transportation Authority Dedicated Tax Fund-Series A (FSA Insured), 5.250%, due 11/15/24	Aa3	AAA	5,650,000	5,631,581
New York City Industrial Development Agency Special Facilities Revenue-Terminal One Group Association Project, 5.500%, due 01/01/15 ⁽¹⁾	A3	BBB+	5,000,000	4,665,450
5.500%, due 01/01/16 ⁽¹⁾	A3	BBB+	6,685,000	6,068,643
New York City Industrial Development Agency Special Facilities Revenue-Terminal One Group Association Project (Mandatory Put 01/01/16 @ 100), 5.500%, due 01/01/18 ^{(1),(5)}	A3	BBB+	2,750,000	2,436,830
New York State Dormitory Authority Revenue-Secondarily Insured-City University-Series B (BHAC-CR Insured), 5.000%, due 07/01/21	Aaa	AAA	10,000,000	10,430,200
New York State Thruway Authority General Revenue-Series G (FSA Insured), 5.000%, due 01/01/26	Aa3	AAA	10,000,000	9,666,600
Triborough Bridge & Tunnel Authority Revenue-Series D (BHAC-CR Insured), 5.000%, due 11/15/24 ^{(2),(3)}	Aaa	AAA	15,465,000	15,648,283
Triborough Bridge & Tunnel Authority Revenue-Subordinate Bonds (AMBAC Insured), 5.125%, due 11/15/26	Aa3	A+	5,000,000	4,826,650
				59,374,237
Ohio 2.54%				
Buckeye Tobacco Settlement Financing Authority-Asset Backed Senior Turbo-Series A-2, 5.125%, due 06/01/24	Baa3	BBB	9,615,000	6,390,129
Pennsylvania 7.27%				
Allegheny County Sanitation Authority Sewer Revenue Refunding-Series A (MBIA, Inc. Insured), 5.000%, due 12/01/23	Baa1	AA	15,390,000	14,538,163
Philadelphia Authority For Industrial Development Airport Revenue-Philadelphia Airport System Project-Series A (FGIC Insured), 5.500%, due 07/01/18 ⁽¹⁾	A2	AA	4,000,000	3,729,160

Insured Municipal Income Fund Inc.

Schedule of investments December 31, 2008 (unaudited)

Security description	Moody's rating	S&P rating	Face amount (\$)	Value (\$)
Long-term municipal bonds (continued)				
South Carolina 3.72%				
Medical University of South Carolina Hospital Authority-Hospital Facilities Revenue Refunding-Series A (MBIA, Inc.-FHA Insured), 5.250%, due 02/15/25	Baa1	AA	2,500,000	2,229,225
South Carolina Transportation Infrastructure Bank Revenue-Series A (AMBAC Insured), 5.000%, due 10/01/33	A1	NR	8,180,000	7,112,592
				<u>9,341,817</u>
Tennessee 0.71%				
Memphis-Shelby County Airport Authority Airport Revenue-Series D (AMBAC Insured), 6.000%, due 03/01/24 ⁽¹⁾	A2	A	2,000,000	1,788,920
Texas 16.15%				
Harris County Refunding-Senior Lien-Toll Road (FSA Insured), 5.000%, due 08/15/30	Aa3	AAA	10,000,000	9,716,300
Houston Utility System Revenue Refunding-First Lien-Series A (FGIC Insured), 5.250%, due 05/15/23	A1	AA	13,500,000	13,101,615
Houston Utility System Revenue Refunding-First Lien-Series A (MBIA, Inc. Insured), 5.250%, due 05/15/25	A1	AA	5,665,000	5,666,190
Jefferson County General Obligation Refunding (FGIC Insured), 5.250%, due 08/01/20	A1	AA	2,000,000	2,038,440
San Antonio Texas Electric & Gas Systems 5.000%, due 02/01/24 ^{(2),(3)}	Aa1	AA	10,000,000	10,063,400
				<u>40,585,945</u>
Washington 15.72%				
Chelan County Public Utility District No. 001 Consolidated Revenue Refunding-Chelan Hydropower-Series A (MBIA, Inc. Insured), 6.050%, due 07/01/32 ⁽¹⁾	Aa2	AA	15,000,000	13,073,850
Cowlitz County School District No. 458 Kelso-Unrefunded Balance (FSA Insured), 5.750%, due 12/01/15	Aa1	NR	865,000	930,948
Energy Northwest Electric Revenue Refunding-Columbia Station-Series A 5.000%, due 07/01/23 ^{(2),(3)}	Aaa	AA-	13,660,000	13,774,744
King County Public Hospital District No. 2 Refunding-Evergreen Healthcare (MBIA, Inc. Insured), 5.000%, due 12/01/18	A1	AA	1,500,000	1,509,090
5.000%, due 12/01/19	A1	AA	2,095,000	2,072,709
Washington State-Series 2007A (FSA Insured), 5.000%, due 07/01/24	Aa1	AAA	8,000,000	8,130,000
				<u>39,491,341</u>

Insured Municipal Income Fund Inc.

Schedule of investments December 31, 2008 (unaudited)

Security description	Moody's rating	S&P rating	Face amount (\$)	Value (\$)
Long-term municipal bonds (concluded)				
Wisconsin 0.45%				
Ladysmith-Hawkins School District Refunding (FGIC Insured), 5.500%, due 04/01/20	NR	NR	1,105,000	1,135,995
Total long-term municipal bonds (cost \$476,875,612)				437,321,248
Total investments (cost \$476,875,612) ⁽⁷⁾ 174.06%				437,321,248
Liabilities in excess of other assets (12.37)%				(31,076,060)
Liquidation value of auction preferred shares (61.69)%				(155,000,000)
Net assets applicable to common shareholders 100.00%				251,245,188

(1) Security subject to Alternative Minimum Tax.

(2) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities, which represent 21.25% of net assets as of December 31, 2008, are considered liquid and may be resold in transactions exempt from registration, normally to qualified institutional buyers.

(3) Security represents underlying bond transferred to a special-purpose entity established in a tender option bond transaction in which the Fund acquired the inverse floater. These securities serve as collateral in a financing transaction. As of December 31, 2008, the aggregate principal amount of the inverse floaters and the floating rate notes are \$13,285,000 and \$39,840,000, respectively.

(4) Entire amount delivered to broker as collateral for futures transactions.

(5) Floating rate security. The interest rate shown is the current rate as of December 31, 2008.

(6) Cost of investments shown approximates cost for federal income tax purposes. Gross unrealized appreciation of investments and gross unrealized depreciation of investments at December 31, 2008 were \$1,516,646 and \$41,071,010, respectively, resulting in net unrealized depreciation of investments of \$39,554,364.

(7) 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 last reported sale prices, current market quotations or valuations from computerized matrix systems that derive values based on comparable securities. A matrix system incorporates parameters such as security quality, maturity and coupon, and/or research and evaluations by its staff, including review of broker-dealer market price quotations, if available, in determining the valuation of the portfolio 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). Various factors may be reviewed in order to make a good faith determination of a security's fair value. These factors may include, but are not limited to, the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; and changes in overall market conditions. If events occur that materially affect the value of securities between the close of trading in those securities and the close of regular trading on the New York Stock Exchange, the securities are fair valued. 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 or its delegate determines that this does not represent fair value. Securities traded in the over-the-counter (OTC) market are valued at the last bid price available on the valuation date prior to valuation.

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The Fund adopted Financial Accounting Standards Board (FASB) *Statement of Financial Accounting Standards No. 157 Fair Value Measurements* (FAS 157), effective April 1, 2008. FAS 157 requires disclosure surrounding the various inputs that are used in determining the value of the Fund's investments. These inputs are summarized into the three broad levels listed below:

Level 1 Quoted prices in active markets for identical securities.

Level 2 Other significant observable inputs, including but not limited to, quoted prices for similar securities, interest rates, prepayment speeds and credit risks.

Level 3 Unobservable inputs inclusive of the Fund's own assumptions in determining the value of investments

The following is a summary of the inputs used as of December 31, 2008 in valuing the Fund's assets:

<u>Description</u>	<u>Quoted prices in active markets for identical securities (Level 1) (\$)</u>	<u>Significant other observable inputs (Level 2) (\$)</u>	<u>Unobservable inputs (Level 3) (\$)</u>	<u>Total (\$)</u>
Assets:				
Securities	_____	437,321,248	_____	437,321,248
Liabilities:				
Derivatives	173,681	_____	_____	173,681

AMBAC American Municipal Bond Assurance Corporation

BHAC Berkshire Hathaway Assurance Corporation

CR Custodial Receipts

FGIC Financial Guaranty Insurance Company

FHA Federal Housing Authority

FSA Financial Security Assurance

IBC Insured Bond Certificate

NR Not Rated

XLCA XL Capital Assurance

Futures contracts

Number of contracts	Sale contracts	Expiration dates	Proceeds (\$)	Current value (\$)	Unrealized depreciation (\$)
15	US Treasury Bond 20 Year Futures	March 2009	2,000,836	2,070,703	(69,867)
40	US Treasury Note 10 Year Futures	March 2009	4,926,186	5,030,000	(103,814)
			<u>6,927,022</u>	<u>7,100,703</u>	<u>(173,681)</u>

For more information regarding the Fund's other significant accounting policies, please refer to the Fund's semiannual report to shareholders dated September 30, 2008.

Item 2. Controls and Procedures.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended ("Investment Company Act")) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.
- (b) The registrant's principal executive officer and principal financial officer are aware of no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

- (a) Certifications of principal executive officer and principal financial officer of registrant pursuant to Rule 30a-2(a) under the Investment Company Act is attached hereto as Exhibit EX-99.CERT.

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.

Insured Municipal Income Fund Inc.

By: /s/ Kai R. Sotorp
Kai R. Sotorp
President

Date: March 2, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Kai R. Sotorp
Kai R. Sotorp
President

Date: March 2, 2009

By: /s/ Thomas Disbrow
Thomas Disbrow
Vice President and Treasurer

Date: March 2, 2009