MFS CALIFORNIA INSURED MUNICIPAL FUND
Form N-CSR
February 06, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF

REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-9537

MFS CALIFORNIA INSURED MUNICIPAL TRUST

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

Registrant s telephone number, including area code: (617) 954-5000

Date of fiscal year end: November 30

Date of reporting period: November 30, 2008

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ITEM 1. REPORTS TO STOCKHOLDERS.

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Annual report

MFS® California Insured Municipal Fund

11/30/08

CCA-ANN

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MFS® California Insured Municipal Fund

American Stock Exchange Symbol: CCA

NOT FDIC INSURED   MAY LOSE VALUE

NO BANK GUARANTEE

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LETTER FROM THE CEO

Dear Shareholders:

The global economy is not a very welcoming place these days. Headlines tell the story of slowing growth, accelerating inflation, and credit collapse. We have watched the rampant selling that has typified equity and credit markets since the strains in the financial system first became apparent last year.

The volatility in commodity and currency markets has further complicated investment choices. There are so many parts moving in so many directions; it has become very easy to get overwhelmed.

At MFS® we remind investors to keep their eye on the long term and not become panicked by the uncertainty of the day to day.

Remember that what goes down could very easily come back up. And that is where we as money managers like to turn our focus.

Investment opportunities may arise in declining markets. When markets experience substantial selloffs, assets often become undervalued. At MFS, we have a team of global sector analysts located in Boston, London, Mexico City, Singapore, Sydney, and Tokyo working together to do the kind of bottom-up research that will root out these investment opportunities.

In times like these, we encourage our investors to check in with their advisors to ensure they have an investment plan in place that will pay heed to the present, but that is firmly tailored to the future.

Respectfully,

Robert J. Manning

Chief Executive Officer and Chief Investment Officer

MFS Investment Management®

January 15, 2009

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

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PORTFOLIO COMPOSITION

Portfolio structure

Top five industries (i)	
State & Local Agencies	17.3%
General Obligations Schools	14.3%
Tax Assessment	10.3%
Water & Sewer Utility Revenue	10.1%
Healthcare Revenue Hospitals	8.4%

Credit quality of bonds (r)	
AAA	8.8%
AA	27.0%
A	28.6%
BBB	33.3%
Not Rated	2.3%

Portfolio structure reflecting equivalent exposure of derivative positions (i)

Portfolio facts	
Average Duration (d)(i)	15.6
Average Life (i)(m)	16.8 yrs.
Average Maturity (i)(m)	18.6 yrs.
Average Credit Quality of Rated Securities (long-term) (a)	A

(a) The average credit quality of rated securities is based upon a market weighted average of portfolio holdings that are rated by public rating agencies.

(d) Duration is a measure of how much a bond s price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value.

(i) For purposes of this presentation, the bond component includes accrued interest amounts and may be positively or negatively impacted by the equivalent exposure from any derivative holdings, if applicable.

* The fund holds short treasury futures with equivalent bond exposure of (21.3)% for the purposes of managing the fund s duration.

(m) The average maturity shown is calculated using the final stated maturity on the portfolio s holdings without taking into account any holdings which have been pre-refunded or pre-paid to an earlier date or which have a mandatory put date prior to the stated maturity. The average life shown takes into account these earlier dates.

(r) Each security is assigned a rating from Moody s Investors Service. If not rated by Moody s, the rating will be that assigned by Standard & Poor s. Likewise, if not assigned a rating by Standard & Poor s, it will be based on the rating assigned by Fitch, Inc. For those portfolios that hold a security which is not rated by any of the three agencies, the security is considered Not Rated. Holdings in U.S. Treasuries and government agency mortgage-backed securities, if any, are included in the AAA -rating category. Percentages are based on the total market value of investments as of 11/30/08.

Percentages are based on net assets, including the value of auction preferred shares, as of 11/30/08, unless otherwise noted.

The portfolio is actively managed and current holdings may be different.

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MANAGEMENT REVIEW

The MFS California Insured Municipal Fund (the fund) is a closed-end fund investing primarily in investment-grade municipal debt.

For the twelve months ended November 30, 2008, shares of the MFS California Insured Municipal Fund provided a total return of 26.95%, at net asset value. This compares with a return of 3.61% for the fund s benchmark, the Barclays Capital Municipal Bond Index (formerly the Lehman Brothers Municipal Bond Index).

Market Environment

The U.S. economy and financial markets experienced significant deterioration and extraordinary volatility over the reporting period. U.S. economic growth slowed significantly, despite the short-term bounce from the second quarter fiscal stimulus. Strong domestic headwinds included accelerated deterioration in the housing market, anemic corporate investment, a markedly weaker job market, and a much tighter credit environment. During the second half of the period, a seemingly continuous series of tumultuous financial events hammered markets, including: the distressed sale of failing Bear Stearns to JPMorgan, the conservatorship of Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, the bankruptcy of investment bank Lehman Brothers, the Federal Reserve Bank s complex intervention of insurance company American International Group (AIG), the nationalization of several large European banks, the failure of Washington Mutual, and the distressed sale of Wachovia. As a result of this barrage of turbulent news, global equity markets pushed significantly lower and credit markets witnessed the worst dislocation since the beginning of the credit crisis.

While reasonably resilient during the first half of the period, the global economy and financial system increasingly experienced considerable negative spillovers from the U.S. slowdown. Not only did Europe and Japan show obvious signs of economic softening, the more powerful engine of global growth emerging markets also began to display weakening dynamics.

During the reporting period, the U.S. Federal Reserve Board cut interest rates aggressively and introduced a multitude of new lending facilities to alleviate ever-tightening credit markets, while the U.S. federal government moved quickly to design and implement a meaningful fiscal stimulus package. Although several other global central banks also cut rates, the dilemma of rising energy and food prices heightened concerns among central bankers that inflationary expectations might become unhinged despite weaker growth. Only late in the reporting period did slowing global growth result in a precipitous decline in commodity prices, which began to ease inflation and inflationary expectations. As inflationary concerns diminished in the face of global deleveraging, and equity and credit markets deteriorated more sharply, a

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Management Review continued

coordinated rate cut marked the beginning of much more aggressive easing by the major global central banks.

The municipal bond market faced an unprecedented amount of challenges over the past 15 months, which lead to a broad-based decline in bond prices, an increase in yields, and a significant increase in spreads between higher-rated securities and lower-rated or non-rated securities. Among the factors leading to the decline in prices and the widening of spreads were the downgrading from AAA, by at least one of the major rating agencies, the majority of the monoline bond insurers and the unwinding of leverage by non-traditional participants in the municipal bond market.

During the reporting period, demand for municipal debt decreased. This lack of demand for municipal debt was a primary reason behind the increase in interest rates on longer-dated municipal bonds. In recent years, non-traditional buyers of municipal bonds, such as arbitragers and leveraged accounts, became important investors in the municipal markets. These investors, in many instances, became net sellers of municipal debt over the investment period. This selling pressure tipped the balance between supply and demand causing rates to rise on the long end of the curve.

Factors Affecting Performance

The fund s duration (d) stance and positioning along the yield curve (y) were the primary factors that detracted from the fund s performance relative to the Barclays Capital Municipal Bond Index as interest rates on municipal bonds with maturities beyond seven years increased during the reporting period. This rise in municipal bond rates was in contrast to what took place in the U.S. Treasury market, where rates declined across the maturity spectrum. The fund chose to use U.S. Treasury futures as a hedge to shorten duration. The value of our short position in U.S. Treasury futures decreased in value as Treasury prices rallied, thus negatively impacting performance of the fund.

The fund s greater exposure to insured bonds, particularly to bonds with mid-to-lower quality underlying ratings, and to bonds in the *credit enhanced* sector, detracted from relative performance as these holdings underperformed the broad market.

The fund employs leverage which has been created through the issuance of auction preferred shares. To the extent that investments are purchased through leverage, the fund s net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. Therefore, during the reporting period, the fund s use of leverage further hampered the fund s performance.

On the positive side, the fund s underweight in the *transportation* sector contributed to relative returns as this sector underperformed the broad benchmark over the reporting period.

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Management Review continued

Respectfully,

Michael Dawson Portfolio Manager	Geoffrey Schechter Portfolio Manager

(d) Duration is a measure of how much a bond s price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value.

(y) A yield curve graphically depicts the yields of different maturity bonds of the same credit quality and type; a normal yield curve is upward sloping, with short-term rates lower than long-term rates.

The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio s current or future investments.

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PERFORMANCE SUMMARY THROUGH 11/30/08

The following chart represents the fund s historical performance in comparison to its benchmark(s). Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a shareholder would pay on fund distributions or the sale of fund shares.

Price Summary

Year Ended 11/30/08	Date	Price
Net Asset Value	11/30/08	$9.35
	11/30/07	$13.53
American Stock Exchange Price	11/30/08	$8.39
	1/07/08 (high) (t)	$12.45
	10/10/08 (low) (t)	$7.88
	11/30/07	$11.65

Total Returns vs Benchmarks

Year Ended 11/30/08

American Stock Exchange Price (r)	(23.86)%
Net Asset Value (r)	(26.95)%
Barclays Capital Municipal Bond Index (f)	(3.61)%

(f) Source: FactSet Research Systems, Inc.

(r) Includes reinvestment of dividends and capital gain distributions.

(t) For the period December 1, 2007 through November 30, 2008.

Benchmark Definition

Barclays Capital Municipal Bond Index (formerly known as Lehman Brothers Municipal Bond Index) a market capitalization-weighted index that measures the performance of the tax-exempt bond market.

It is not possible to invest directly in an index.

Notes to Performance Summary

The fund s shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the

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Performance Summary continued

fund s liquidation. As a result, the total return that is calculated based on the net asset value and American Stock Exchange price can be different.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

In accordance with Section 23(c) of the Investment Company Act of 1940, the fund hereby gives notice that it may from time to time repurchase common and/or preferred shares of the fund in the open market at the option of the Board of Trustees and on such terms as the Trustees shall determine.

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INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND

Investment Objective

The fund s investment objective is to seek high current income exempt from federal income tax and California state personal income tax, but may also consider capital appreciation. The fund s objective may be changed without shareholder approval.

Principal Investment Strategies

MFS normally invests at least 80% of the fund s net assets in municipal instruments covered by insurance guaranteeing the timely payment of principal and interest.

MFS primarily invests the fund s assets in investment grade debt instruments, but may also invest in lower quality debt instruments.

The fund invests, under normal market conditions, at least 80% of its net assets, including assets attributable to preferred shares and borrowings for investment purposes, in debt securities the interest of which in the opinion of issuer counsel (or other reputable authority) is exempt from federal regular income tax and California personal income tax. This policy may not be changed without shareholder approval. Interest from the fund s investments may be subject to the federal alternative minimum tax.

MFS invests a high percentage of the fund s assets in municipal issuers of California.

The fund may invest a relatively high percentage of the fund s assets in securities insured by a single insurer or a small number of insurers.

MFS may invest 25% or more of the fund s assets in municipal instruments that finance similar projects, such as those relating to education, healthcare, housing, utilities, water or sewers. Municipal instruments whose interest is exempt from federal and state personal income tax include instruments issued by U.S. territories and possessions (such as Puerto Rico) and their political subdivisions and public corporations. Although MFS seeks to invest the fund s assets in municipal instruments whose interest is exempt from federal and state personal income tax, MFS may also invest in taxable instruments.

MFS may invest a relatively high percentage of the fund s assets in the debt instruments of a single issuer or a small number of issuers.

MFS may use derivatives for different purposes, including to earn income and enhance returns, to increase or decrease exposure to a particular market, to manage or adjust the risk profile of the fund, or as alternatives to direct investments.

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Investment Objective, Principal Investment Strategies and Risks of the Fund continued

MFS uses a bottom-up investment approach in buying and selling investments for the fund. Investments are selected primarily based on fundamental analysis of instruments and their issuers in light of current market, economic, political, and regulatory conditions. Factors considered may include the instrument s credit quality, collateral characteristics, and indenture provisions, and the issuer s management ability, capital structure, leverage, and ability to meet its current obligations. Quantitative analysis of the structure of the instrument and its features may also be considered.

The fund uses leverage through the issuance of preferred shares and/or the creation of tender option bonds, and then investing the proceeds pursuant to its investment strategies. If approved by the fund s Board of Trustees, the fund may use leverage by other methods.

MFS may engage in active and frequent trading in pursuing the fund s principal investment strategies.

In response to market, economic, political, or other conditions, MFS may depart from the fund s principal investment strategies by temporarily investing for defensive purposes.

Principal Risks

The portfolio s yield and share prices change daily based on the credit quality of its investments and changes in interest rates. In general, the value of debt securities will decline when interest rates rise and will increase when interest rates fall. Debt securities with longer maturity dates will generally be subject to greater price fluctuations than those with shorter maturities. Municipal instruments can be volatile and significantly affected by adverse tax or court rulings, legislative or political changes and the financial condition of the issuers and/or insurers of municipal instruments. Changes in the financial condition of an individual municipal insurer can significantly affect the fund s share price. If the Internal Revenue Service determines an issuer of a municipal security has not complied with applicable tax requirements, interest from the security could become taxable and the security could decline significantly in value. Derivatives can be highly volatile and involve risks in addition to those of the underlying indicator s in whose value the derivative is based. Gains or losses from derivatives can be substantially greater than the derivatives original cost. The portfolio s performance will be closely tied to the economic and political conditions in California and will be more volatile than the performance of a more geographically diversified portfolio. Lower quality debt securities involve substantially greater risk of default and their value can decline significantly over time. To the extent that investments are purchased with the proceeds from the issuance of preferred shares, the fund s net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. To the extent that the fund participates in the creation of tender option

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Investment Objective, Principal Investment Strategies and Risks of the Fund continued

bonds, it will hold more concentrated positions in individual securities and so its performance may be more volatile than the performance of more diversified funds. A tender option bond issue may terminate upon the occurrence of certain enumerated events, which would result in a reduction to the fund s leverage. In connection with the creation of tender option bonds and for other investment purposes, the fund may invest in inverse floating rate instruments, whose potential income return is inversely related to changes in a floating interest rate. Inverse floating rate instruments may provide investment leverage and be more volatile than other debt instruments. When you sell your shares, they may be worth more or less than the amount you paid for them. Please see the fund s registration statement for further information regarding these and other risk considerations. A copy of the fund s registration statement on Form N-2 is available on the EDGAR database on the Securities and Exchange Commission s Internet Web site at http://sec.gov.

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PORTFOLIO MANAGERS   PROFILES

Michael Dawson	Investment Officer of MFS; employed in the investment area of MFS since 1998. Portfolio manager of the fund since June 2007.
Geoffrey Schechter	Investment Officer of MFS; employed in the investment area of MFS since 1993. Portfolio manager of the fund since June 2007.

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DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The fund offers a Dividend Reinvestment and Cash Purchase Plan (the Plan) that allows common shareholders to reinvest either all of the distributions paid by the fund or only the long-term capital gains. Purchases are made at the market price unless that price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a discounted price of either the net asset value or 95% of the market price, whichever is greater. Four times each year you can also buy shares. Investments may be made in any amount of $100 or more in January, April, July and October on the 15th of the month or shortly thereafter.

If shares are registered in your own name, new shareholders will automatically participate in the Plan, unless you have indicated that you do not wish to participate. If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the Plan on your behalf. If the nominee does not offer the Plan, you may wish to request that your shares be re-registered in your own name so that you can participate. There is no service charge to reinvest distributions, nor are there brokerage charges for shares issued directly by the fund. However, when shares are bought on the American Stock Exchange or otherwise on the open market, each participant pays a pro rata share of the transaction expenses, including commissions. The automatic reinvestment of distributions does not relieve you of any income tax that may be payable (or required to be withheld) on the distributions.

You may withdraw from the Plan at any time by going to the Plan Agent s website at www.computershare.com, by calling 1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940-3078. Please have available the name of the fund and your account number. For certain types of registrations, such as corporate accounts, instructions must be submitted in writing. Please call for additional details. When you withdraw from the Plan, you can receive the value of the reinvested shares in one of three ways: your full shares will be held in your account and a check will be issued for the value of any fractional shares, the Plan Agent will sell your shares and send the proceeds to you, or you may sell your shares through your investment professional.

If you have any questions or for further information or a copy of the Plan, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer Agent for the fund) at 1-800-637-2304, at the Plan Agent s website at www.computershare.com, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940-3078.

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PORTFOLIO OF INVESTMENTS

11/30/08

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Municipal Bonds - 191.3%		
Issuer	**Shares/Par**	**Value ($)**
Airport & Port Revenue - 8.5%		
Port of Oakland, CA, A , MBIA, 5%, 2026	$ 500,000	$ 345,975
Port of Oakland, CA, K , FGIC, 5.75%, 2029	1,000,000	751,810
San Diego County, CA, Regional Airport Authority, AMBAC, 5.25%, 2020	500,000	405,400
San Francisco, CA, City & County Airports Commission, International Airport Rev., 5.5%, 2019 (a)	270,000	269,171
San Jose CA, Airport Rev., A , BHAC, 5.5%, 2023	520,000	426,104
		$ 2,198,460
General Obligations - General Purpose - 7.4%		
State of California, AMBAC, 6%, 2017	$ 1,000,000	$ 1,078,770
State of California, AMBAC, 5%, 2034	1,000,000	843,890
		$ 1,922,660
General Obligations - Schools - 27.4%		
Allan Hancock, CA, Joint Community College (Election of 2006), A , FSA, 4.375%, 2031	$ 100,000	$ 77,277
Calaveras Unified School District, CA, (Election of 2006), FSA, 5%, 2032	400,000	351,484
Chabot Las Positas, CA, Community College (Election of 2004), B , AMBAC, 0%, 2026	970,000	313,417
Culver City, CA, School Facilities Financing Authority Rev. (Culver City Unified School District), FSA, 5.5%, 2025	1,000,000	993,450
Pomona, CA, Unified School District, A , MBIA, 6.55%, 2029	1,000,000	1,026,710
Rancho Santiago, CA, Community College District, FSA, 5.125%, 2029	1,000,000	931,320
Rescue, CA, Unified School District (Election of 1998), MBIA, 0%, 2026	1,125,000	382,039
Union, CA, Elementary School District, A , FGIC, 0%, 2018	1,630,000	1,008,334
Vallejo City, CA, Unified School District, A , MBIA, 5.9%, 2025	500,000	435,410
West Contra Costa, CA, Unified School District, A , MBIA, 5.7%, 2023	500,000	483,675
West Covina, CA, Unified School District, A , MBIA, 5.8%, 2021	500,000	502,305
Yuba City, CA, Unified School District, FGIC, 0%, 2018	1,000,000	615,680
		$ 7,121,101
Healthcare Revenue - Hospitals - 15.9%		
California Municipal Finance Authority, Certificates of Participation (Community Hospitals of Central California), 5.25%, 2027	$ 250,000	$ 180,930
California Statewide Communities Development Authority Rev. (Adventist), ASSD GTY, 5%, 2037	405,000	291,762

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Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Municipal Bonds - continued		
Healthcare Revenue - Hospitals - continued		
California Statewide Communities Development Authority Rev. (Catholic Healthcare West) K , ASSD GTY, 5.5%, 2041	$ 1,000,000	$ 792,410
California Statewide Communities Development Authority Rev. (Catholic West), 6.5%, 2010 (c)	145,000	157,522
California Statewide Communities Development Authority Rev. (Daughters of Charity Health), A , 5.25%, 2030	500,000	331,120
California Statewide Communities Development Authority Rev. (Kaiser Permanente), B , BHAC, 5%, 2041	540,000	464,843
California Statewide Communities Development Authority Rev. (St. Joseph Health System), FGIC, 5.75%, 2047	500,000	434,685
Oakland, CA, Rev. (Harrison Foundation), A , AMBAC, 6%, 2010 (c)	1,000,000	1,052,350
Santa Clara County, CA, Financing Authority Rev. (El Camino Hospital), AMBAC, 5.125%, 2041	400,000	319,432
Sierra View, CA, Local Health Care District Rev., 5.25%, 2037	130,000	99,007
		$ 4,124,061
Healthcare Revenue - Long Term Care - 8.2%		
ABAG Finance Authority for Non-Profit Corps. (Odd Fellows Home), MBIA, 6%, 2024	$ 2,000,000	$ 1,860,680
California Statewide Communities Development Authority Rev. (Eskaton Properties, Inc.), 8.25%, 2010 (c)	250,000	279,337
		$ 2,140,017
Human Services - 0.3%		
California Statewide Communities Development Authority Rev. (Inland Regional Center), 5.375%, 2037	$ 140,000	$ 92,705
Industrial Revenue - Other - 1.2%		
California Statewide Communities Development Authority Rev. (Anheuser-Busch), 4.8%, 2046	$ 500,000	$ 301,835
Miscellaneous Revenue - Other - 5.6%		
ABAG Finance Authority Rev. (Jackson Lab), 5.75%, 2037	$ 385,000	$ 319,427
California Infrastructure & Economic Development Bank Rev. (Walt Disney Family Museum), 5.25%, 2033	160,000	142,726
San Francisco, CA, City & County Redevelopment Agency, Hotel Tax Rev., FSA, 6.75%, 2025	1,000,000	1,001,740
		$ 1,463,893
Single Family Housing - Local - 0.1%		
California Rural Home Mortgage Finance Authority Rev., Mortgage Backed Securities Program, A , GNMA, 6.35%, 2029	$ 15,000	$ 14,614
California Rural Home Mortgage Finance Authority Rev., Mortgage Backed Securities Program, B4 , GNMA, 6.35%, 2029	20,000	20,000
		$ 34,614

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Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Municipal Bonds - continued		
Single Family Housing - Other - 2.9%		
California Department of Veterans Affairs, Home Purchase Rev., B , 5.25%, 2037	$ 1,000,000	$ 746,070
Single Family Housing - State - 5.8%		
California Housing Finance Agency Rev., Home Mortgage, A , 4.95%, 2036	$ 1,000,000	$ 701,900
California Housing Finance Agency Rev., Home Mortgage, E , FGIC, 5.05%, 2026	995,000	796,905
		$ 1,498,805
Solid Waste Revenue - 1.6%		
Salinas Valley, CA, Solid Waste Authority Rev., AMBAC, 5.125%, 2022	$ 500,000	$ 417,545
State & Local Agencies - 33.2%		
Calabasas, CA, Certificate Participants (City Hall & Civic Center Project), AMBAC, 4.5%, 2041	$ 725,000	$ 522,609
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., SBHAC, 5%, 2038	1,000,000	842,160
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, A , FGIC, 5%, 2035	1,000,000	766,450
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, A , FGIC, 5%, 2038	1,000,000	721,210
Huntington Park, CA, Public Financing Authority Rev., A , FSA, 5.25%, 2019	1,000,000	1,037,910
Los Angeles County, CA, Schools Regionalized Business Service Corp., Capital Appreciation Pooled Financing, A , AMBAC, 0%, 2018	2,020,000	1,225,534
Los Angeles County, CA, Schools Regionalized Business Service Corp., Capital Appreciation Pooled Financing, A , AMBAC, 0%, 2023	2,220,000	914,707
Pacifica, CA, Certificates of Participation (Street Improvement Project), AMBAC, 5.875%, 2009 (c)	1,500,000	1,597,305
Western Placer, CA, Unified School, B , ASSD GTY, 5.125%, 2047	1,200,000	992,928
		$ 8,620,813
Tax - Other - 2.3%		
Southern California Logistics Airport Authority (Southern California Authority Project), XLCA, 5%, 2043	$ 820,000	$ 597,386
Tax Assessment - 19.7%		
Compton, CA, Public Finance Authority, AMBAC, 5%, 2032	$ 500,000	$ 419,340
Fontana, CA, Public Finance Authority, Tax Allocation Rev. (Sub Lien North Fontana Redevelopment), A , AMBAC, 5%, 2029	1,000,000	866,230
Huntington Beach, CA, Community Facilities District, Special Tax (Grand Coast Resort), 2000-1 , 6.45%, 2031	100,000	83,727

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Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Municipal Bonds - continued		
Tax Assessment - continued		
Lancaster, CA, Financing Authority, Tax Allocation Rev. (Projects No. 5 & 6 Redevelopment Projects), MBIA, 5.25%, 2020	$ 1,075,000	$ 1,081,235
Long Beach, CA, Bond Finance Authority, Tax Allocation Rev., C , AMBAC, 5.5%, 2031	750,000	691,545
Oceanside, CA, Community Development Commission, Tax Allocation (Downtown Redevelopment Project Escrow Bonds), 5.7%, 2025	500,000	458,870
Orange County, CA, Community Facilities District, Special Tax (Ladera Ranch), A , 6.7%, 2009 (c)	200,000	211,314
San Dieguito, CA, Public Facilities Authority, A , AMBAC, 5%, 2032	500,000	421,825
San Jose, CA, Redevelopment Agency, Tax Allocation (Merged Area Redevelopment Project), C , MBIA, 4.25%, 2030	900,000	619,848
Yuba, CA, Levee Financing Authority Rev. (Levee Financing Project), A , ASSD GTY, 5%, 2038	330,000	274,253
		$ 5,128,187
Tobacco - 5.9%		
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Asset Backed, A-1 , 5.75%, 2047	$ 1,500,000	$ 960,930
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Asset Backed, A-1 , 5.125%, 2047	1,000,000	574,780
		$ 1,535,710
Transportation - Special Tax - 5.7%		
Puerto Rico Highway & Transportation Authority, Highway Rev., Y , FSA, 5.5%, 2016 (c)	$ 750,000	$ 869,070
San Francisco, CA, Bay Area Rapid Transit District, Sales Tax Rev., A , MBIA, 5%, 2030 (f)	685,000	622,576
		$ 1,491,646
Universities - Colleges - 8.2%		
California Educational Facilities Authority Rev., B , 6.625%, 2010 (c)	$ 205,000	$ 222,378
California Educational Facilities Authority Rev., B , 6.625%, 2010 (c)	45,000	48,815
California University Rev., C , MBIA, 5%, 2029	1,500,000	1,353,585
Hastings College of the Law, CA, ASSD GTY, 4.75%, 2037	195,000	154,415
University Enterprises, Inc. (Auxiliary Organization), A , FGIC, 4.375%, 2030	500,000	356,415
		$ 2,135,608
Utilities - Investor Owned - 10.7%		
California Pollution Control Financing Authority, Pollution Control Rev. (Pacific Gas & Electric Co.), MBIA, 5.35%, 2016	$ 1,000,000	$ 959,810
California Pollution Control Financing Authority, Pollution Control Rev. (San Diego Gas & Electric Co.), A , 6.8%, 2015	500,000	520,435

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Portfolio of Investments continued

Issuer	Shares/Par	Value ($)
Municipal Bonds - continued		
Utilities - Investor Owned - continued		
California Pollution Control Financing Authority, Pollution Control Rev. (Southern California Edison Co.), B , MBIA, 5.45%, 2029	$ 1,500,000	$ 1,290,465
		$ 2,770,710
Utilities - Other - 1.4%		
Southern California Public Power Authority (Natural Gas Project No. 1), A , 5%, 2033	$ 585,000	$ 372,651
Water & Sewer Utility Revenue - 19.3%		
Culver City, CA, Wastewater Facilities Rev., A , FGIC, 5.7%, 2029	$ 1,500,000	$ 1,411,290
Hollister CA, Joint Powers Financing Authority Wastewater Rev. (Refining & Improvement Project), 1 , FSA, 5%, 2032	770,000	675,929
Los Angeles, CA, Department of Water & Power, Waterworks Rev., C , MBIA, 5%, 2022	1,000,000	974,010
Pico Rivera, CA, Water Authority Rev. (Water Systems Project), A , MBIA, 5.5%, 2029	2,000,000	1,953,500
		$ 5,014,729
Total Investments (Identified Cost, $56,385,477)		**$ 49,729,206**
Other Assets, Less Liabilities - 2.7%		712,410
Preferred Shares (Issued by the Trust) - (94.1)%		(24,450,000)
Net Assets applicable to common shares - 100.0%		**$ 25,991,616**

(a) Mandatory tender date is earlier than stated maturity date.

(c) Refunded bond.

(f) All or a portion of the security has been segregated as collateral for open futures contracts.

Derivative Contracts at 11/30/08

Futures contracts outstanding at 11/30/08

Description	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
U.S. Treasury Bond 30 yr. (Short)	33	$4,206,984	Mar-09	$(101,694)
U.S. Treasury Note 10 yr. (Short)	54	6,532,313	Mar-09	(192,564)
				$(294,258)

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Portfolio of Investments continued

Swap Agreements at 11/30/08

Interest Rate Swaps

Expiration	Notional Amount	Counterparty	Cash Flows to Receive	Cash Flows to Pay	Value
12/17/18	USD 3,000,000	Merrill Lynch Capital Services	7-day SIFMA	3.70% (fixed rate)	$(166,080)

At November 30, 2008, the fund had sufficient cash and/or other liquid securities to cover any commitments under these derivative contracts.

The following abbreviations are used in this report and are defined:

SIFMA Securities Industry and Financial Markets Association

Insurers	
AMBAC	AMBAC Indemnity Corp.
ASSD GTY	Assured Guaranty Insurance Co.
BHAC	Berkshire Hathaway Assurance Corp.
FGIC	Financial Guaranty Insurance Co.
FSA	Financial Security Assurance Inc.
GNMA	Government National Mortgage Assn.
MBIA	MBIA Insurance Corp.
SBHAC	Secondary Berkshire Hathaway Assurance Corp.
XLCA	XL Capital Insurance Co.

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Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

At 11/30/08

This statement represents your fund s balance sheet, which details the assets and liabilities comprising the total value of the fund.

Assets		
Investments, at value (identified cost, $56,385,477)	$49,729,206	
Cash	284,766	
Receivable for investments sold	5,000	
Interest receivable	885,355	
Receivable from investment adviser	41,375	
Other assets	9,207	
Total assets		$50,954,909
Liabilities		
Distributions payable on common shares	$1,698	
Distributions payable on preferred shares	3,211	
Payable for daily variation margin on open futures contracts	45,984	
Net payable for closed swaps	215,000	
Swaps, at value	166,080	
Payable to affiliates		
Management fee	3,806	
Transfer agent and dividend disbursing costs	73	
Administrative services fee	242	
Payable for independent trustees compensation	7,756	
Accrued expenses and other liabilities	69,443	
Total liabilities		$513,293
Preferred shares		
Auction preferred shares (978 shares issued and outstanding at $25,000 per share) at liquidation value		$24,450,000
Net assets applicable to common shares		$25,991,616
Net assets consist of		
Paid-in capital common shares	$39,376,142	
Unrealized appreciation (depreciation) on investments	(7,116,609)	
Accumulated net realized gain (loss) on investments	(6,343,182)	
Undistributed net investment income	75,265	
Net assets applicable to common shares		$25,991,616
Preferred shares, at value (978 shares issued and outstanding at $25,000 per share)		24,450,000
Net assets including preferred shares		$50,441,616
Common shares of beneficial interest outstanding		2,780,771
Net asset value per common share (net assets of $25,991,616/2,780,771 shares of beneficial interest outstanding)		$9.35

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Financial Statements

STATEMENT OF OPERATIONS

Year ended 11/30/08

This statement describes how much your fund earned in investment income and accrued in expenses.

It also describes any gains and/or losses generated by fund operations.

Net investment income		
Interest income		$2,964,608
Expenses		
Management fee	$379,153	
Transfer agent and dividend disbursing costs	443	
Administrative services fee	18,637	
Independent trustees compensation	10,062	
Stock exchange fee	13,367	
Preferred shares remarketing agent fee	61,531	
Custodian fee	16,597	
Shareholder communications	37,867	
Auditing fees	67,042	
Legal fees	62,783	
Miscellaneous	25,692	
Total expenses		$693,174
Fees paid indirectly	(8,038)	
Reduction of expenses by investment adviser	(256,114)	
Net expenses		$429,022
Net investment income		$2,535,586
Realized and unrealized gain (loss) on investments		
Realized gain (loss) (identified cost basis)		
Investment transactions	$(781,691)	
Futures contracts	(1,332,916)	
Swap transactions	(281,700)	
Net realized gain (loss) on investments		$(2,396,307)
Change in unrealized appreciation (depreciation)		
Investments	$(8,805,731)	
Futures contracts	(282,991)	
Swap transactions	(166,080)	
Net unrealized gain (loss) on investments		$(9,254,802)
Net realized and unrealized gain (loss) on investments		$(11,651,109)
Distributions declared to preferred shareholders		$(865,914)
Change in net assets from operations		$(9,981,437)

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Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Years ended 11/30 2008	2007
Change in net assets		
From operations		
Net investment income	$2,535,586	$2,855,384
Net realized gain (loss) on investments	(2,396,307)	(2,625,987)
Net unrealized gain (loss) on investments	(9,254,802)	(2,932,242)
Distributions declared to preferred shareholders	(865,914)	(855,432)
Change in net assets from operations	$(9,981,437)	$(3,558,277)
Distributions declared to common shareholders		
From net investment income	$(1,660,120)	$(1,724,078)
Total change in net assets	$(11,641,557)	$(5,282,355)
Net assets applicable to common shares		
At beginning of period	37,633,173	42,915,528
At end of period (including undistributed net investment income of $75,265 and $50,074, respectively)	$25,991,616	$37,633,173

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Financial Statements

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund s financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

	Years ended 11/30				
	2008	**2007**	**2006**	**2005**	**2004**
Net asset value, beginning of period	$13.53	$15.43	$14.77	$14.97	$15.21
Income (loss) from investment operations					
Net investment income (d)	$0.91	$ 1.03(z)	$0.98	$1.02	$1.03
Net realized and unrealized gain (loss) on investments	(4.18)	(2.00)(z)	0.66	(0.21)	(0.26)
Distributions declared to preferred shareholders	(0.31)	(0.31)	(0.27)	(0.17)	(0.09)
Total from investment operations	$(3.58)	$(1.28)	$1.37	$0.64	$0.68
Less distributions declared to common shareholders					
From net investment income	$(0.60)	$(0.62)	$(0.71)	$(0.84)	$(0.92)
Net asset value, end of period	$9.35	$13.53	$15.43	$14.77	$14.97
Common share market value, end of period	$8.39	$11.65	$14.30	$14.20	$13.61
Total return at common market value (%) (p)	(23.86)	(14.78)	5.93	10.63	(6.99)
Total return at net asset value (%) (p)(t)	(26.95)	(8.27)	9.89	4.62	4.93
Ratios (%) (to average net assets applicable to common shares) and Supplemental data:					
Expenses before expense reductions (f)(p)(v)	2.05	1.71	1.46	1.26	1.08
Expenses after expense reductions (f)(p)	1.29	1.12	1.04	0.95	0.87
Net investment income (p)	7.49	7.03(z)	6.58	6.72	6.89
Portfolio turnover	26	21	16	29	16
Net assets at end of period (000 Omitted)	$25,992	$37,633	$42,916	$41,077	$41,631

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Financial Highlights continued

	Years ended 11/30				
	2008	**2007**	**2006**	**2005**	**2004**
Supplemental Ratios (%):					
Ratio of expenses to average net assets including preferred shares (f)	0.75	0.70	0.65	0.60	0.55
Net investment income available to common shares	4.93	4.92	4.76	5.57	6.30
Senior Securities:					
Total preferred shares outstanding	978	978	978	978	978
Asset coverage per preferred share (k)	$51,576	$63,480	$68,881	$67,001	$67,567
Involuntary liquidation preference per preferred share (o)	$25,000	$25,000	$25,014	$25,012	$25,003
Average market value per preferred share (m)(x)	$25,000	$25,000	$25,000	$25,000	$25,000

(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) Calculated by subtracting the fund s total liabilities (not including preferred shares) from the fund s total assets and dividing this number by the number of preferred shares outstanding.
(m) Amount excludes accrued unpaid distributions to Auction Preferred Shareholders.
(o) Effective November 30, 2007, amount excludes accrued unpaid distributions to auction preferred shareholders.
(p) Ratio excludes dividend payment on auction preferred shares.
(t) Prior to November 30, 2007, total return at net asset value is unaudited.
(v) Effective with the year ended November 30, 2007, the ratio includes the management fee before taking into account any management fee reductions. This resulted in an increase to the ratio, applicable to common shares, of 0.24% for the year ended November 30, 2007. Prior periods reflect management fee after any such reductions.
(x) Average market value represents the approximate fair value of the fund s liability.
(z) The fund applied a change in estimate for amortization of premium on certain debt securities in the year ended November 30, 2007 that resulted in an increase of $0.08 per share to net share to net investment income, a decrease of $0.08 per share to net realized and unrealized gain (loss) on investments, and an increase of 0.51% to net investment income ratio. The change in estimate had no impact on net assets, net asset value per share or total return.

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NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS California Insured Municipal Fund (the fund) is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a closed-end management investment company.

(2) Significant Accounting Policies

General The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The value of municipal instruments can be affected by changes in their actual or perceived credit quality. The credit quality of municipal instruments can be affected by, among other things, the financial condition of the issuer or guarantor, the issuer s future borrowing plans and sources of revenue, the economic feasibility of the revenue bond project or general borrowing purpose, political or economic developments in the region or state where the instrument is issued and the liquidity of the security. Municipal instruments generally trade in the over-the counter market. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the discontinuance of the taxation supporting the projects or assets or the inability to collect revenues for the project or from the assets. If the Internal Revenue Service determines an issuer of a municipal security has not complied with applicable tax requirements, the security could decline in value, interest from the security could become taxable and the fund may be required to issue Forms 1099-DIV.

Investment Valuations Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as reported by a third party pricing service. Short-term instruments with a maturity at issuance of 60 days to less may be valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price as reported by a third party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as reported by a third party pricing service on the market on which such futures contracts are primarily traded. Swaps are generally valued at an evaluated bid as reported by a third party pricing service. Securities and other assets generally valued on the basis of information from a third party pricing service may also be valued at a broker-dealer bid quotation. Values obtained from pricing services can utilize

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Notes to Financial Statements continued

both dealer-supplied valuations and electronic data processing techniques, which take into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund s investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund s valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment s value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund s net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser may rely on third party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund s net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of investments used to determine the fund s net asset value may differ from quoted or published prices for the same investments.

The fund adopted FASB Statement No. 157, Fair Value Measurements (the Statement). This Statement provides a single definition of fair value, a hierarchy for measuring fair value and expanded disclosures about fair value measurements.

Various inputs are used in determining the value of the fund s assets or liabilities carried at market value. These inputs are categorized into three broad levels. Level 1 includes quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser s own assumptions in determining the fair value of investments. Other financial

Notes to Financial Statements   continued

instruments are derivative instruments not reflected in total investments, such as futures, forwards, swap contracts and written options, which are valued at the unrealized appreciation/depreciation on the instrument. The following is a summary of the levels used as of November 30, 2008 in valuing the fund s assets or liabilities carried at market value:

	Level 1	Level 2	Level 3	Total
Investments in Securities	$	$49,729,206	$	$49,729,206
Other Financial Instruments	$(294,258)	$(166,080)	$	$(460,338)

Derivative Risk   The fund may invest in derivatives for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to gain market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative s original cost. Cash that has been segregated on behalf of certain derivative contracts will be reported separately on the Statement of Assets and Liabilities as restricted cash. On some over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk by entering into an ISDA Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund s credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty, the ISDA Master Agreement does not result in an offset of reported balance sheet assets and liabilities across transactions between the fund and the applicable counterparty. Derivative instruments include futures contracts and swap agreements.

In March 2008, FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (the Standard) was issued, and is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This Standard provides enhanced disclosures about the fund s use of and accounting for derivative instruments and the effect of derivative instruments on the fund s results of operations and financial position. Management is evaluating the application of the Standard to the fund, and has not at this time determined the impact, if any, resulting from the adoption of this Standard on the fund s financial statements.

Futures Contracts   The fund may enter into futures contracts for the delayed delivery of securities or currency, or contracts based on financial indices at a

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Notes to Financial Statements continued

fixed price on a future date. In entering such contracts, the fund is required to deposit with the broker either in cash or securities an amount equal to a certain percentage of the contract amount. Subsequent payments are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gains or losses by the fund. Upon entering into such contracts, the fund bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss.

Swap Agreements The fund may enter into swap agreements. A swap is generally an exchange of cash payments, at specified intervals or upon the occurrence of specified events, between the fund and a counterparty. The net cash payments exchanged are recorded as a realized gain or loss on swap transactions in the Statement of Operations. The value of the swap, which is adjusted daily and includes any related interest accruals to be paid or received by the fund, is recorded on the Statement of Assets and Liabilities. The daily change in value, including any related interest accruals to be paid or received, is recorded as unrealized appreciation or depreciation on swap transactions in the Statement of Operations. Amounts paid or received at the inception of the swap are reflected as premiums paid or received on the Statement of Assets and Liabilities and are amortized using the effective interest method over the term of the agreement. A liquidation payment received or made upon early termination is recorded as a realized gain or loss on swap transactions in the Statement of Operations.

Risks related to swap agreements include the possible lack of a liquid market, unfavorable market and interest rate movements of the underlying instrument and the failure of the counterparty to perform under the terms of the agreements. To address counterparty risk, swap transactions are limited to only highly-rated counterparties and collateral, in the form of cash or securities, may be required to be posted by the counterparty to the fund and held in segregated accounts with the fund s custodian. Counterparty risk is further mitigated by having ISDA Master Agreements between the fund and its counterparties providing for netting as described above.

The fund may enter into an interest rate swap in order to manage its exposure to interest rate fluctuations. Interest rate swap agreements involve the periodic exchange of cash flows, between the fund and a counterparty, based on the difference between two interest rates applied to a notional principal amount. The two interest rates exchanged may either be a fixed rate and a floating rate or two floating rates based on different indices.

Indemnifications Under the fund s organizational documents, its officers and trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund s maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly The fund s custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended November 30, 2008, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable and tax-exempt income, including realized capital gains. As a result, no provision for federal income tax is required. The fund adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (the Interpretation) on the first day of the fund s fiscal year. The Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. There was no impact resulting from the adoption of this Interpretation on the fund s financial statements. Each of the fund s federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for

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Notes to Financial Statements continued

financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities and derivative transactions.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	11/30/08	11/30/07
Tax-exempt income	$2,526,034	$2,579,510

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 11/30/08	
Cost of investments	$56,232,947
Gross appreciation	676,013
Gross depreciation	(7,179,754)
Net unrealized appreciation (depreciation)	$(6,503,741)
Undistributed tax-exempt income	$76,963
Capital loss carryforwards	(5,582,848)
Post-October capital loss deferral	(1,207,122)
Other temporary differences	(167,778)

As of November 30, 2008, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

11/30/11	$ (176,833)
11/30/12	(70,908)
11/30/15	(1,104,579)
11/30/16	(4,230,528)
	$(5,582,848)

(3) Transactions with Affiliates

Investment Adviser The fund has an investment advisory agreement with Massachusetts Financial Services Company (MFS) to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at an annual rate of 0.65% of the fund s average daily net assets (including the value of auction preferred shares).

The investment adviser has agreed in writing to reduce its management fee to 0.55% and 0.60% of average daily net assets (including the value of auction preferred shares) for the years ending November 30, 2008 and 2009, respectively. This written agreement will continue until modified by the fund s Board of Trustees, but such agreement will continue at least until November 30, 2009. For

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the year ended November 30, 2008, the management fee reduction amounted to $58,331. The management fee incurred for the year ended November 30, 2008 was equivalent to an annual effective rate 0.55% of the fund s average daily net assets (including the value of auction preferred shares).

The investment adviser has agreed in writing to pay a portion of the fund s total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses other than remarketing fees, such that total annual fund operating expenses do not exceed 0.75% of the fund s average daily net assets including the value of auction preferred shares. For the year ended November 30, 2008, this reduction amounted to $197,619 and is reflected as a reduction of total expenses in the Statement of Operations.

Effective December 1, 2008, the investment adviser has voluntarily agreed to pay a portion of the fund s total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses other than remarketing fees, such that the total annual fund operating expenses do not exceed 0.80% of the fund s average daily net assets including the value of auction preferred shares. This written agreement will continue until modified by the fund s Board of Trustees, but such agreement will continue at least until November 30, 2009.

Transfer Agent The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund s common shares. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended November 30, 2008, these fees paid to MFSC amounted to $255. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended November 30, 2008, the fund did not pay any out-of-pocket expenses to MFSC.

Administrator MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged a fixed amount plus a fee based on average daily net assets. The fund s annual fixed amount is $17,500.

The administrative services fee incurred for the year ended November 30, 2008 was equivalent to an annual effective rate of 0.0320% of the fund s average daily net assets.

Trustees and Officers Compensation The fund pays compensation to independent trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to trustees or to officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and trustees of the fund are officers or directors of MFS and MFSC.

Deferred Trustee Compensation The fund s former independent trustees participated in a Deferred Compensation Plan (the Plan). The fund s current independent trustees are not allowed to defer compensation under the Plan. Deferred amounts represent an unsecured obligation of the fund until distributed in accordance with the Plan. Included in other assets and payable for independent trustees compensation is $7,745 of deferred trustees compensation.

Other This fund and certain other MFS funds (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended November 30, 2008, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $282 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $164, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $14,527,979 and $16,424,462, respectively.

(5) Shares of Beneficial Interest

The fund s Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The fund reserves the right to repurchase shares of beneficial interest of the fund subject to Trustee approval. During the year ended November 30, 2008, the fund did not repurchase any shares.

(6) Line of Credit

The fund and other funds managed by MFS participate in a $1 billion unsecured committed line of credit provided by a syndication of banks under a credit agreement. In addition, the fund and other funds managed by MFS have

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Notes to Financial Statements continued

established uncommitted borrowing arrangements with certain banks. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the Federal Reserve funds rate plus 0.30%. In addition, a commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. For the year ended November 30, 2008, the fund s commitment fee and interest expense were $77 and $0, respectively, and are included in miscellaneous expense on the Statement of Operations.

(7) Auction Preferred Shares

The fund issued 978 shares of Auction Preferred Shares (APS), all of which remain outstanding at November 30, 2008. Dividends are cumulative at a rate that is reset every seven days through an auction process. If the APS are unable to be remarketed on a remarketing date as part of the auction process, the fund would be required to pay the maximum applicable rate on APS to holders of such shares for successive dividend periods until such time when the shares are successfully remarketed. The maximum rate on APS is equal to 110% of the higher of (i) the Taxable Equivalent of the Short-Term Municipal Bond Rate or (ii) the AA Composite Commercial Paper Rate.

Since February 2008, regularly scheduled auctions for APS issued by closed end funds, including MFS California Insured Municipal Fund, have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, APS holders cannot sell their shares tendered for sale. While repeated auction failures have affected the liquidity for APS, they do not constitute a default or automatically alter the credit quality of the APS, and APS holders have continued to receive dividends at the previously defined maximum rate . During the year ended November 30, 2008, the APS dividend rates ranged from 1.57% to 11.73%. For the year ended November 30, 2008, the average dividend rate was 3.59%. These developments with respect to APS do not affect the management or investment policies of the fund. However, one implication of these auction failures for Common shareholders is that the fund s cost of leverage will be higher than it otherwise would have been had the auctions continued to be successful. As a result, the fund s future Common share earnings may be lower than they otherwise would have been. To the extent that investments are purchased with the issuance of preferred shares, the fund s net asset value will increase or decrease at a greater rate than a comparable unleveraged fund.

The fund pays an annual fee equivalent to 0.25% of the preferred share liquidation value for remarketing efforts associated with the preferred auction. The APS are redeemable at the option of the fund in whole or in part at the

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Notes to Financial Statements continued

redemption price equal to $25,000 per share, plus accumulated and unpaid dividends. The APS are also subject to mandatory redemption if certain requirements relating to its asset maintenance coverage are not satisfied. The fund is required to maintain certain asset coverage with respect to the APS as defined in the trust s By-Laws and the Investment Company Act of 1940, and, as such is not permitted to declare common share dividends unless the fund s APS have a minimum asset coverage ratio of 200% after declaration of the common share dividends.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of MFS California Insured Municipal Fund:

We have audited the accompanying statement of assets and liabilities of MFS California Insured Municipal Fund (the Fund), including the portfolio of investments, as of November 30, 2008, and the related statement of operations for the year then ended, and the statements of changes in net assets and the financial highlights for each of the two years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the three years in the period ended November 30, 2006 were audited by another independent registered public accounting firm whose report, dated January 25, 2007, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2008, by correspondence with the Fund s custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS California Insured Municipal Fund at November 30, 2008, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

January 20, 2009

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RESULTS OF SHAREHOLDER MEETING

(unaudited)

At the annual meeting of shareholders of MFS California Insured Municipal Fund, which was held on October 23, 2008, the following actions were taken:

Item 1a. To elect the following individuals as Trustees, elected by the holders of common and preferred shares together:

	Number of Shares	
Nominee	**Affirmative**	**Abstain**
William R. Gutow	2,495,653	171,719
Michael Hegarty	2,514,913	152,459
Robert W. Uek	2,510,813	156,559

Item 1b. To elect the following individuals as Trustees, elected by the holders of preferred shares only:

	Number of Shares	
Nominee	**Affirmative**	**Abstain**
J. Atwood Ives	410	134
Laurie J. Thomsen	410	134

Item 2. To approve an amended and restated Declaration of Trust as further described in the proxy statement:

	Number of Common and Preferred Shares together
For	1,541,870
Against	123,639
Abstain	61,075

Item 3. To amend or remove certain fundamental investment policies as further described in the proxy statement:

	Number of Common and Preferred Shares together	Number of Preferred Shares only
For	1,524,169	371
Against	122,787	94
Abstain	79,628	53

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TRUSTEES AND OFFICERS   IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of January 1, 2009, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since (h)	Principal Occupations During the Past Five Years & Other Directorships (j)
INTERESTED TRUSTEES			
Robert J. Manning (k) (born 10/20/63)	Trustee	February 2004	Massachusetts Financial Services Company, Chief Executive Officer, President, Chief Investment Officer and Director
Robert C. Pozen (k) (born 8/08/46)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman (since February 2004); Harvard Business School (education), Senior Lecturer (since 2008); Bell Canada Enterprises (telecommunications), Director (since March 2002); The Bank of New York, Director (finance), (March 2004 to May 2005); The Commonwealth of Massachusetts, Secretary of Economic Affairs (January 2002 to December 2002); Fidelity Investments, (investment advisor), Vice Chairman (until December 2001); Fidelity Management & Research Company (investment adviser), President (until July 2001); Telesat (satellite communications), Director (until November 2007)
INDEPENDENT TRUSTEES			
David H. Gunning (born 5/30/42)	Trustee and Chair of Trustees	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007); Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non Executive Chairman; Portman Limited (mining), Director (since 2005); Southwest Gas Corp. (natural gas distribution), Director (until May 2004)

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Trustees and Officers continued

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since (h)	Principal Occupations During the Past Five Years & Other Directorships (j)
Robert E. Butler (n) (born 11/29/41)	Trustee	January 2006	Consultant regulatory and compliance matters (since July 2002); PricewaterhouseCoopers LLP (professional services firm), Partner (until 2002)
Lawrence H. Cohn, M.D. (born 3/11/37)	Trustee	August 1993	Brigham and Women s Hospital, Senior Cardiac Surgeon (since 2005); Harvard Medical School, Professor of Cardiac Surgery; Partners HealthCare, Physician Director of Medical Device Technology (since 2006); Brigham and Women s Hospital, Chief of Cardiac Surgery (until 2005)
Maureen R. Goldfarb (born 4/06/55)	Trustee	January 2009	Private investor; John Hancock Financial Services, Inc., Executive Vice President (until 2004); John Hancock Mutual Funds, Trustee and Chief Executive Officer (until 2004)
William R. Gutow (born 9/27/41)	Trustee	December 1993	Private investor and real estate consultant; Capital Entertainment Management Company (video franchise), Vice Chairman; Texas Donuts (donut franchise), Vice Chairman (since 2007); Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007)
Michael Hegarty (born 12/21/44)	Trustee	December 2004	Retired; AXA Financial (financial services and insurance), Vice Chairman and Chief Operating Officer (until 2001); The Equitable Life Assurance Society (insurance), President and Chief Operating Officer (until 2001)
J. Atwood Ives (born 5/01/36)	Trustee	February 1992	Private investor; KeySpan Corporation (energy related services), Director until 2004; Woodstock Corporation (investment advisory firm), Director until 2003

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Trustees and Officers continued

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since (h)	Principal Occupations During the Past Five Years & Other Directorships (j)
John P. Kavanaugh (born 11/04/54)	Trustee	January 2009	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)
J. Dale Sherratt (born 9/23/38)	Trustee	August 1993	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner
Laurie J. Thomsen (born 8/05/57)	Trustee	March 2005	New Profit, Inc. (venture philanthropy), Partner (since 2006); Private investor; Prism Venture Partners (venture capital), Co-founder and General Partner (until June 2004); The Travelers Companies (commercial property liability insurance), Director
Robert W. Uek (born 5/18/41)	Trustee	January 2006	Consultant to investment company industry; PricewaterhouseCoopers LLP (professional services firm), Partner (until 1999); TT International Funds (mutual fund complex), Trustee (until 2005); Hillview Investment Trust II Funds (mutual fund complex), Trustee (until 2005)
OFFICERS			
Maria F. Dwyer (k) (born 12/01/58)	President	November 2005	Massachusetts Financial Services Company, Executive Vice President and Chief Regulatory Officer (since March 2004) Chief Compliance Officer (since December 2006); Fidelity Management & Research Company, Vice President (prior to March 2004); Fidelity Group of Funds, President and Treasurer (until March 2004)

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Trustees and Officers continued

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since (h)	Principal Occupations During the Past Five Years & Other Directorships (j)
Christopher R. Bohane (k) (born 1/18/74)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel
John M. Corcoran (k) (born 4/13/65)	Treasurer	October 2008	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)
Ethan D. Corey (k) (born 11/21/63)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel (since 2004); Dechert LLP (law firm), Counsel (prior to December 2004)
David L. DiLorenzo (k) (born 8/10/68)	Assistant Treasurer	July 2005	Massachusetts Financial Services Company, Vice President (since June 2005); JP Morgan Investor Services, Vice President (until June 2005)
Timothy M. Fagan (k) (born 7/10/68)	Assistant Secretary and Assistant Clerk	September 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel (since September 2005); John Hancock Advisers, LLC, Vice President, Senior Attorney and Chief Compliance Officer (until August 2005)
Mark D. Fischer (k) (born 10/27/70)	Assistant Treasurer	July 2005	Massachusetts Financial Services Company, Vice President (since May 2005); JP Morgan Investment Management Company, Vice President (until May 2005)
Robyn L. Griffin (born 7/04/75)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 October 2006); Deloitte & Touche LLP (professional services firm), Senior Manager (prior to April 2006)

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Trustees and Officers continued

Name, Date of Birth	Position(s) Held with Fund	Trustee/Officer Since (h)	Principal Occupations During the Past Five Years & Other Directorships (j)
Brian E. Langenfeld (k) (born 3/07/73)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel (since May 2006); John Hancock Advisers, LLC, Assistant Vice President and Counsel (until April 2006)
Ellen Moynihan (k) (born 11/13/57)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President
Susan S. Newton (k) (born 3/07/50)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel (since April 2005); John Hancock Advisers, LLC, Senior Vice President, Secretary and Chief Legal Officer (until April 2005)
Susan A. Pereira (k) (born 11/05/70)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel (since June 2004); Bingham McCutchen LLP (law firm), Associate (until June 2004)
Mark N. Polebaum (k) (born 5/01/52)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary (since January 2006); Wilmer Cutler Pickering Hale and Dorr LLP (law firm), Partner (until January 2006)
Frank L. Tarantino (born 3/07/44)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal (since June 2004); CRA Business Strategies Group (consulting services), Executive Vice President (until June 2004)
Richard S. Weitzel (k) (born 7/16/70)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel (since 2004); Massachusetts Department of Business and Technology, General Counsel (until April 2004)
James O. Yost (k) (born 6/12/60)	Assistant Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Messrs. Pozen and Manning served as Advisory Trustees. For the period March 2008 until October 2008, Ms. Dwyer served as Treasurer of the Funds.

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Trustees and Officers continued

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., public companies).
(k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.
(n) In 2004 and 2005, Mr. Butler provided consulting services to the independent compliance consultant retained by MFS pursuant to its settlement with the SEC concerning market timing and related matters. The terms of that settlement required that compensation and expenses related to the independent compliance consultant be borne exclusively by MFS and, therefore, MFS paid Mr. Butler for the services he rendered to the independent compliance consultant. In 2004 and 2005, MFS paid Mr. Butler a total of $351,119.29.

The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for fixed terms. The Board of Trustees is currently divided into three classes, each having a term of three years which term expires on the date of the third annual meeting following the election to office of the Trustee s class. Each year the term of one class expires. Two Trustees, each holding a term of one year, are elected annually by holders of the Trust s preferred shares. Each Trustee and officer will serve until next elected or his or her earlier death, resignation, retirement or removal.

Messrs. Butler, Kavanaugh, Sherratt and Uek and Ms. Thomsen are members of the Fund s Audit Committee.

Each of the Fund s Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2009, the Trustees served as board members of 105 funds within the MFS Family of Funds.

The Statement of Additional Information for the Fund and further information about the Trustees are available without charge upon request by calling 1-800-225-2606.

The Fund filed with the Securities and Exchange Commission the certifications of its principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2003 as an exhibit to the Fund s Form N-CSR for the period covered by this report.

Investment Adviser
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Portfolio Managers
Michael Dawson
Geoffrey Schechter

Custodian
State Street Bank and Trust Company
225 Franklin Street, Boston, MA 02110

Independent Registered Public Accounting Firm
Ernst & Young LLP
200 Clarendon Street, Boston, MA 02116

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BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested (independent) Trustees, voting separately, annually approve the continuation of the Fund s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2008 (contract review meetings) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds). The independent Trustees were assisted in their evaluation of the Fund s investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In June 2007, shareholders approved an investment advisory agreement between the Fund and MFS. Effective June 30, 2007, in connection with the consummation of the asset purchase agreement between MFS and Columbia Management Advisors LLC, MFS assumed investment management responsibilities for the Fund.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment a