FORM 497

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MUNIYIELD INSURED FUND INC

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MUNIYIELD INSURED FUND, INC.
MUNIYIELD INSURED FUND II, INC.
P.O. BOX 9011
PRINCETON, NEW JERSEY 08543-9011

NOTICE OF ANNUAL MEETINGS OF STOCKHOLDERS

TO BE HELD ON SEPTEMBER 30, 1996

TO THE STOCKHOLDERS OF
MUNIYIELD INSURED FUND, INC.
MUNIYIELD INSURED FUND II, INC.:

NOTICE IS HEREBY GIVEN that annual meetings of stockholders (the "Meetings") of MuniYield Insured Fund, Inc. ("Insured I") and MuniYield Insured Fund II, Inc. ("Insured II") will be held at the offices of Merrill Lynch Asset Management, L.P., 800 Scudders Mill Road, Plainsboro, New Jersey on Monday, September 30, 1996 at 10:45 A.M., New York time (for Insured I) and 11:00 A.M., New York time (for Insured II) for the following purposes:

(1) To approve or disapprove an Agreement and Plan of Reorganization (the "Agreement and Plan of Reorganization") contemplating the acquisition of all of the assets of Insured II by Insured I, and the assumption of all of the liabilities of Insured II by Insured I, in exchange solely for an equal aggregate value of newly-issued shares of Common Stock of Insured I ("Insured I Common Stock") and shares of two newly-created series of Auction Market Preferred Stock ("AMPS") of Insured I to be designated Series F and Series G ("Insured I Series F AMPS" and "Insured I Series G AMPS", respectively) and the distribution of such Insured I Common Stock to the holders of Common Stock of Insured II, such Insured I Series F AMPS to the holders of Series A AMPS of Insured II and such Insured I Series G AMPS to the holders of Series B AMPS of Insured II. A vote in favor of this proposal also will constitute a vote in favor of the liquidation and dissolution of Insured II and the termination of its registration under the Investment Company Act of 1940;

(2) To elect a Board of Directors of Insured I and Insured II to serve for the ensuing year;

(3) For the stockholders of Insured I only:

(a) in the event that proposal 1 is approved by the requisite number of stockholders of each Fund and the Reorganization takes place prior to October 31, 1996, to consider and act upon a proposal to ratify the selection of Ernst & Young LLP to serve as independent auditors of the combined fund for the fiscal year ending October 31, 1996; and

(b) in the event that proposal 1 is not approved by the requisite number of stockholders of each Fund or the Reorganization does not take place prior to October 31, 1996, to consider and act upon a proposal to ratify the selection of Deloitte & Touche LLP to serve as independent auditors of Insured I for its current fiscal year ending October 31, 1996;

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(4) For the stockholders of Insured II only: to consider and act upon a proposal to ratify the selection of Ernst & Young LLP to serve as independent auditors of Insured II for the current fiscal year ending October 31, 1996; and

(5) To transact such other business as properly may come before the Meetings or any adjournment thereof.

The Boards of Directors of Insured I and Insured II have fixed the close of business on August 16, 1996 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Meetings or any adjournment thereof.

A complete list of the stockholders of Insured I and Insured II entitled to vote at the Meetings will be available and open to the examination of any stockholder of Insured I or Insured II, respectively, for any purpose germane to the Meetings during ordinary business hours from and after September 16, 1996, at the offices of Insured I, 800 Scudders Mill Road, Plainsboro, New Jersey.

You are cordially invited to attend the Meetings. Stockholders who do not expect to attend the Meetings in person are requested to complete, date and sign the enclosed form of proxy applicable to their Fund and return it promptly in the envelope provided for that purpose. The enclosed proxy is being solicited on behalf of the Board of Directors of Insured I or Insured II, as applicable.

By Order of the Boards of Directors
MARK B. GOLDFUS
Secretary of each Fund

Plainsboro, New Jersey
Dated: August 21, 1996

PROXY STATEMENT AND PROSPECTUS

MUNIYIELD INSURED FUND, INC.
MUNIYIELD INSURED FUND II, INC.
P.O. BOX 9011
PRINCETON, NEW JERSEY 08543-9011
(609) 282-2800

ANNUAL MEETINGS OF STOCKHOLDERS

SEPTEMBER 30, 1996

This Joint Proxy Statement and Prospectus (this "Proxy Statement and Prospectus") is furnished in connection with the solicitation of proxies on behalf of the Boards of Directors of MuniYield Insured Fund, Inc., a Maryland corporation ("Insured I"), and MuniYield Insured Fund II, Inc., a Maryland corporation ("Insured II"), for use at Annual Meetings of Stockholders (the "Meetings") called to approve or disapprove the proposed reorganization whereby (i) Insured I will acquire all of the assets, and will assume all of the liabilities, of Insured II, in exchange solely for an equal aggregate value of newly-issued shares of Common Stock, par value $.10 per share, of Insured I ("Insured I Common Stock") and shares of two newly-created series of Auction Market Preferred Stock ("AMPS") of Insured I, with a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to be designated Series F and Series G ("Insured I Series F AMPS" and "Insured I Series G AMPS", respectively) to be issued by Insured I; and (ii) Insured II will be deregistered and dissolved (collectively, the "Reorganization"). Insured I and Insured II sometimes are referred to herein collectively as the "Funds" and individually as a "Fund", each as applicable and each as the context requires. This Proxy Statement and Prospectus also is being furnished in connection with the election of a Board of Directors of each Fund and the ratification of the selection of independent auditors for each Fund.

(continued on next page)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT AND PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Proxy Statement and Prospectus serves as a prospectus of Insured I under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the issuance of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS in the Reorganization.

This Proxy Statement and Prospectus sets forth concisely the information about Insured I and Insured II that stockholders of Insured I and Insured II should know before considering the Reorganization and should be retained for future reference. Insured I and Insured II have authorized the solicitation of proxies in connection with the Reorganization solely on the basis of this Proxy Statement and Prospectus and the accompanying documents.

The address of the principal executive offices of both Insured I and Insured II is 800 Scudders Mill Road, Plainsboro, New Jersey 08536, and the telephone number is (609) 282-2800.

THE DATE OF THIS PROXY STATEMENT AND PROSPECTUS IS AUGUST 21, 1996.

The aggregate net asset value of the Insured I Common Stock to be issued to Insured II and thereafter distributed to the holders of shares of Common Stock, par value $.10 per share, of Insured II ("Insured II Common Stock") will equal the aggregate net asset value of the shares of Insured II Common Stock on the date of the Reorganization. Similarly, it is intended that the aggregate liquidation preference and value of the Insured I Series F AMPS to be issued to Insured II and thereafter distributed to the holders of shares of AMPS of Insured II, with a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared), designated Series A AMPS ("Insured II Series A AMPS"), will equal the aggregate liquidation preference and value of the Insured II Series A AMPS on the date of the Reorganization, and that the aggregate liquidation preference and value of the Insured I Series G AMPS to be issued to Insured II and thereafter distributed to the holders of shares of AMPS of Insured II, with a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared), designated Series B AMPS ("Insured II Series B AMPS" and, together with the Insured II Series A AMPS, the "Insured II AMPS"), will equal the aggregate liquidation preference and value of the Insured II Series B AMPS on the date of the Reorganization. As soon as practicable after the receipt by Insured I of all of Insured II's assets and the assumption by Insured I of all of Insured II's liabilities, Insured II will distribute Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to Insured II's stockholders as described under "The Reorganization". Thereafter, Insured II will terminate its registration under the Investment Company Act of 1940, as amended (the "Investment Company Act"), and will liquidate and dissolve in accordance with the laws of the State of Maryland.

Both Insured I and Insured II are non-diversified, leveraged, closed-end management investment companies with virtually identical investment objectives. Both Insured I and Insured II seek to provide stockholders with as high a level of current income exempt from Federal income taxes as is consistent with their respective investment policies and prudent investment management. Insured I and Insured II seek to achieve their respective investment objectives by investing primarily in a portfolio of long-term, investment grade municipal obligations the interest on which, in the opinion of bond counsel to the issuer, is exempt from Federal income taxes ("Municipal Bonds"). There can be no assurance that after the Reorganization the surviving fund will achieve the investment objective of either Insured I or Insured II.

Insured I Common Stock and Insured II Common Stock are listed on the New York Stock Exchange (the "NYSE") under the symbols "MYI" and "MTI", respectively. Subsequent to the Reorganization, shares of Insured I Common Stock will continue to be listed on the NYSE under the symbol "MYI". Reports, proxy materials and other information concerning either Fund may be inspected at the offices of the NYSE, 11 Wall Street, New York, New York 10005.

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INTRODUCTION

This Proxy Statement and Prospectus is furnished in connection with the solicitation of proxies on behalf of the Boards of Directors of Insured I and Insured II for use at the Meetings to be held at the offices of Merrill Lynch Asset Management, L.P. ("MLAM"), 800 Scudders Mill Road, Plainsboro, New Jersey on September 30, 1996, at 10:45 A.M., New York time (for Insured I) and 11:00 A.M., New York time (for Insured II). The mailing address for both Insured I and Insured II is P.O. Box 9011, Princeton, New Jersey 08543-9011. The approximate mailing date of this Proxy Statement and Prospectus is August 26, 1996.

Any person giving a proxy may revoke it at any time prior to its exercise by executing a superseding proxy, by giving written notice of the revocation to the Secretary of Insured I or Insured II, as applicable, at the address indicated above or by voting in person at the appropriate Meeting. All properly executed proxies received prior to the Meetings will be voted at the Meetings in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, proxies will be voted "FOR" each of the following proposals: (1) to approve the Agreement and Plan of Reorganization between Insured I and Insured II (the "Agreement and Plan of Reorganization"); (2) to elect a Board of Directors of each Fund to serve for the ensuing year; (3) for the stockholders of Insured I only: (a) in the event that proposal 1 is approved by the requisite number of stockholders of each Fund and the Reorganization takes place prior to October 31, 1996, to consider and act upon a proposal to ratify the selection of Ernst & Young LLP to serve as independent auditors of the combined fund for the fiscal year ending October 31, 1996; and (b) in the event that proposal 1 is not approved by the requisite number of stockholders of each Fund or the Reorganization does not take place prior to October 31, 1996, to consider and act upon a proposal to ratify the selection of Deloitte & Touche LLP to serve as independent auditors of Insured I for the current fiscal year ending October 31, 1996; and (4) for the stockholders of Insured II only: to ratify the selection of Ernst & Young LLP as the independent auditors of Insured II for the current fiscal year ending October 31, 1996.

With respect to proposal 1, approval of the Agreement and Plan of Reorganization will require the affirmative vote of stockholders representing a majority of the outstanding shares of Insured I Common Stock and AMPS of Insured I, designated Series A, Series B, Series C, Series D and Series E, each with a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) (collectively, the "Insured I AMPS"), voting together as a single class, and a majority of the outstanding shares of Insured I AMPS, voting separately as a class, as well as the affirmative vote of stockholders representing a majority of the outstanding shares of Insured II Common Stock and Insured II AMPS, voting together as a single class, and a majority of the outstanding shares of Insured II AMPS, voting separately as a class.

With respect to proposal 2, holders of shares of Insured I AMPS are entitled to elect two Directors of Insured I and holders of shares of Insured I Common Stock and Insured I AMPS, voting together as a single class, are entitled to elect the remaining Directors of Insured I; similarly, holders of shares of Insured II AMPS are entitled to elect two Directors of Insured II and holders of shares of Insured II Common Stock and Insured II AMPS, voting together as a single class, are entitled to elect the remaining Directors of Insured II. Assuming a quorum is present, (x) election of the two Directors of Insured I or Insured II, as the case may be, to be elected by the holders of that Fund's AMPS, voting separately as a class, will require the affirmative vote of a majority of the votes cast by the holders of the Insured I AMPS or Insured II AMPS, respectively, represented at the Meetings and entitled to vote; and (y) election of the remaining Directors of Insured I or Insured II, as the case may be, will require the affirmative vote of a majority of the votes cast by the holders of

shares of their respective Common Stock and AMPS, represented at the Meetings and entitled to vote, voting together as a single class.

With respect to proposal 3(a), (i) approval of the ratification of the selection of Ernst & Young LLP as the independent auditors of the combined fund will require the affirmative vote of a majority of the votes cast by the holders of shares of Insured I Common Stock and Insured I AMPS represented at the Meetings and entitled to vote, voting together as a single class; and with respect to proposal 3(b), approval of the ratification of the selection of Deloitte & Touche LLP as the independent auditors of Insured I will require the affirmative vote of a majority of the votes cast by the holders of shares of Insured I Common Stock and Insured I AMPS represented at the Meetings and entitled to vote, voting together as a single class.

With respect to proposal 4, approval of the ratification of the selection of Ernst & Young LLP as the independent auditors of Insured II will require the affirmative vote of a majority of the votes cast by the holders of shares of Insured II Common Stock and Insured II AMPS represented at the Meetings and entitled to vote, voting together as a single class.

The Boards of Directors of Insured I and Insured II have fixed the close of business on August 16, 1996 as the record date (the "Record Date") for the determination of stockholders entitled to notice of, and to vote at, the Meetings or any adjournment thereof. Stockholders on the Record Date will be entitled to one vote for each share held, with no shares having cumulative voting rights. As of the Record Date, there were issued and outstanding 45,187,339 shares of Insured I Common Stock, 12,800 shares of Insured I AMPS in five series, 16,420,827 shares of Insured II Common Stock and 4,800 shares of Insured II AMPS in two series. To the knowledge of the management of each of Insured I and Insured II, no person owned beneficially more than 5% of the respective outstanding shares of either class of capital stock of Insured I or Insured II at the Record Date.

The Boards of Directors of Insured I and Insured II know of no business other than that discussed in proposals 1, 2, 3 and 4 above which will be presented for consideration at the Meetings. If any other matter is properly presented, it is the intention of the persons named in the enclosed proxy to vote in accordance with their best judgment.

THE REORGANIZATION

SUMMARY

The following is a summary of certain information contained elsewhere in this Proxy Statement and Prospectus and is qualified in its entirety by reference to the more complete information contained herein and in the Agreement and Plan of Reorganization, attached hereto as Exhibit I.

In this Proxy Statement and Prospectus, the term "Reorganization" refers collectively to (i) the acquisition of all of the assets and the assumption of all of the liabilities of Insured II by Insured I and the subsequent distribution of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to the holders of Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS, respectively, and (ii) the subsequent deregistration and dissolution of Insured II.

At a meeting of the Board of Directors of Insured I held on June 18, 1996, and at a meeting of the Board of Directors of Insured II held on May 3, 1996, the Boards of Directors of Insured I and Insured II

unanimously approved a proposal that Insured I acquire all of the assets, and assume all of the liabilities, of Insured II in exchange solely for Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be issued to Insured II and thereafter distributed to the stockholders of Insured II. Subject to obtaining the necessary approvals from the Insured I and Insured II stockholders, the Board of Directors of Insured II deemed advisable the deregistration of Insured II under the Investment Company Act and its dissolution under the laws of the State of Maryland.

Both Insured I and Insured II seek to provide stockholders with as high a level of current income exempt from Federal income taxes as is consistent with their respective investment policies and prudent investment management. Both Insured I and Insured II seek to achieve their investment objectives by investing primarily in a portfolio of Municipal Bonds. Under normal circumstances, at least 80% of each Fund's total assets will be invested in Municipal Bonds with remaining maturities of one year or more which are covered by insurance guaranteeing the timely payment of principal at maturity and interest.

Insured I and Insured II are both non-diversified, leveraged, closed-end management investment companies registered under the Investment Company Act. If the Insured I and Insured II stockholders approve the Reorganization, Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS will be issued to Insured II in exchange for the assets of Insured I and thereafter Insured II will distribute these shares to its stockholders as provided in the Agreement and Plan of Reorganization. After the Reorganization, Insured II will terminate its registration under the Investment Company Act and its incorporation under Maryland law.

Based upon their evaluation of all relevant information, the Directors of Insured I and Insured II have determined that the Reorganization will potentially benefit the holders of Common Stock of both Insured I and Insured II. Specifically, after the Reorganization, Insured II stockholders will remain invested in a closed-end fund that has an investment objective and policies virtually identical to those of Insured II and which utilizes the same management personnel. In addition, it is anticipated that both Insured I and Insured II common stockholders will be subject to a reduced overall operating expense ratio based on the combined assets of the surviving fund after the Reorganization. It is not anticipated that the Reorganization will directly benefit the holders of shares of Insured I AMPS or Insured II AMPS; however, the Reorganization will not adversely affect the holders of shares of AMPS of either Fund and the expenses of the Reorganization will not be borne by the holders of shares of AMPS of either Fund.

In deciding to recommend the Reorganization, the Boards of Directors of Insured I and Insured II took into account the investment objective and policies of both Insured I and Insured II, the expenses incurred both due to the Reorganization and on an ongoing basis by the new and existing stockholders of Insured I and the potential benefits, including economies of scale, to the holders of Common Stock and AMPS of Insured I and Insured II as a result of the Reorganization. The Boards of Directors of Insured I and Insured II, including all of the Directors who are not "interested persons", as defined in the Investment Company Act, of Insured I or Insured II, have determined that the Reorganization is in the best interests of each of the Funds and of the holders of Common Stock and AMPS of Insured I and Insured II and that the interests of such stockholders will not be diluted as a result of effecting the Reorganization.

If all of the requisite approvals are obtained, it is anticipated that the Reorganization will occur as soon as practicable after such approval, provided that the Funds have obtained prior to that time a favorable private letter ruling from the Internal Revenue Service (the "IRS") concerning the tax consequences of the

Reorganization as set forth in the Agreement and Plan of Reorganization. Under the Agreement and Plan of Reorganization, however, the Board of Directors of either Insured I or Insured II may cause the Reorganization to be postponed or abandoned should either Board determine that it is in the best interests of the stockholders of either Insured I or Insured II, respectively, to do so. The Agreement and Plan of Reorganization may be terminated, and the Reorganization abandoned, whether before or after approval by the Funds' stockholders, at any time prior to the Exchange Date (as defined below), (i) by mutual consent of the Boards of Directors of Insured I and Insured II; (ii) by the Board of Directors of Insured I if any condition to Insured I's obligations has not been fulfilled or waived by such Board; or (iii) by the Board of Directors of Insured II if any condition to Insured II's obligations has not been fulfilled or waived by such Board.

PRO FORMA FEE TABLE FOR COMMON STOCKHOLDERS OF INSURED I, INSURED II AND THE COMBINED FUND AS OF APRIL 30, 1996 (UNAUDITED)(A)

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	ACTUAL		
	INSURED I	INSURED II	PRO FORMA COMBINED
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Common Stockholder Transaction Expenses:			
Maximum Sales Load (as a percentage of the offering price) imposed on purchases of Common Stock....	5.50%(b)	5.50%(b)	(c)
Dividend Reinvestment and Cash Purchase Plan Fees..	None	None	None
Annual Fund Operating Expenses (as a percentage of average net assets attributable to Common Stock at April 30, 1996; annualized)(d):			
Investment Advisory Fees..................................	0.72%	0.73%	0.71%
Other Expenses			
Transfer Agent Fees....................................	0.02%	0.02%	0.02%
Custodian Fee..	0.01%	0.01%	0.01%
Miscellaneous..	0.18%	0.22%	0.16%
Total Other Expenses......................................	0.21%	0.25%	0.19%
Total Annual Operating Expenses..............................	0.93%	0.98%	0.90%

</TABLE>

(a) No information is presented with respect to AMPS because neither a Fund's expenses nor expenses of the Reorganization will be borne by the holders of AMPS of either Fund. Generally AMPS are sold at a fixed liquidation preference of $25,000 per share and investment return is set at an auction.

(b) Sales load charged in the Fund's initial offering, subject to reductions for bulk purchases. Shares of Common Stock purchased on the secondary market are not subject to sales loads, but may be subject to brokerage commissions or other charges.

(c) No sales load will be charged on the issuance of shares in the Reorganization. Shares of Common Stock are not available for purchase from the Funds but may be purchased through a broker-dealer subject to individually negotiated commission rates.

(d) The actual annual fund operating expenses were derived from each Fund's shareholder report dated as of April 30, 1996. The pro forma annual operating expenses for the combined fund are projections for a 12-month period.

EXAMPLE:

CUMULATIVE EXPENSES PAID ON SHARES OF COMMON STOCK
FOR THE PERIODS INDICATED:

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
An investor would pay the following expenses on a $1,000 investment, including the maximum sales load of $55 and assuming (1) an operating expense ratio of 0.93% for Insured I shares, 0.98% for Insured II shares and 0.90% for shares of the combined fund and (2) a 5% annual return throughout the period:				
Insured I	$64	$83	$104	$163
Insured II	$64	$85	$106	$169
Combined Fund*	$64	$82	$102	$160

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* Assumes that the Reorganization had taken place on April 30, 1996

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that an Insured I or Insured II common stockholder will bear directly or indirectly as compared to the costs and expenses that would be borne by such investors taking into account the Reorganization. The Example set forth above assumes that shares of Common Stock were purchased in the initial offerings and the reinvestment of all dividends and distributions and utilizes a 5% annual rate of return as mandated by Securities and Exchange Commission (the "Commission") regulations. THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR ANNUAL RATES OF RETURN, AND ACTUAL EXPENSES OR ANNUAL RATES OF RETURN MAY BE MORE OR LESS THAN THOSE ASSUMED FOR PURPOSES OF THE EXAMPLE. See "Comparison of the Funds" and "The Reorganization--Potential Benefits to Insured I Common Stockholders and Insured II Common Stockholders as a Result of the Reorganization".

BUSINESS OF INSURED I...... Insured I was incorporated under the laws of the State of Maryland on January 13, 1992 and commenced operations on March 27, 1992. Like Insured II, Insured I is a non-diversified, leveraged, closed-end management investment company whose investment objective is to provide stockholders with as high a level of current income exempt from Federal income taxes as is consistent with its investment policies and prudent investment management. Furthermore, like Insured II, Insured I seeks to achieve its investment objective by investing primarily in a portfolio of Municipal Bonds. See "Comparison of the Funds -- Investment Objectives and Policies".

Like Insured II, Insured I has outstanding both Common Stock and AMPS. As of July 31, 1996, Insured I had net assets of $1,008,134,450.

BUSINESS OF INSURED II..... Insured II was incorporated under the laws of the State of Maryland on September 2, 1992 and commenced operations on October 30, 1992. Like Insured I, Insured II is a non-diversified, leveraged, closed-end management investment company whose investment objective is to

provide stockholders with as high a level of current income exempt from Federal income taxes as is consistent with its investment policies and prudent investment management. Furthermore, like Insured I, Insured II seeks to achieve its investment objective by investing primarily in a portfolio of Municipal Bonds.

Like Insured I, Insured II has outstanding both Common Stock and AMPS. As of July 31, 1996, Insured

II had net assets of $368,681,067.

COMPARISON OF THE FUNDS.... Investment Objectives and Policies. Insured I and Insured II have virtually identical investment objectives and policies. Both Funds seek to pay interest exempt from Federal income taxes and seek to maintain as much of their respective portfolios invested in Municipal Bonds as possible. As of July 31, 1996, 99% of Insured I's net assets and 98% of Insured II's net assets were invested in Municipal Bonds. The same investment restrictions apply to both Insured I and Insured II. See "Comparison of the Funds -- Investment Objective and Policies".

Capital Stock. Insured I and Insured II each has outstanding both Common Stock and several series of AMPS. Like Insured II Common Stock, Insured I Common Stock is traded on the NYSE. As of July 31, 1996, the net asset value per share of the Insured I Common Stock was $15.23 and the market price per share was $13.75, and as of the same date, the net asset value per share of the Insured II Common Stock was $15.14 and the market price per share was $13.375. Insured I AMPS and Insured II AMPS have liquidation preferences of $25,000 per share and are sold principally at auctions. See "Comparison of the Funds -- Capital Stock".

Auctions generally have been held and will be held every 28 days in the case of the Insured I Series A AMPS, Series B AMPS, Series C AMPS and Series D AMPS and every seven days in the case of the Insured I Series E AMPS unless Insured I elects, subject to certain limitations, to have a special dividend period. As of the auction held on August 7, 1996, the dividend rate on the Insured I Series A AMPS was 3.47%; as of the auction held on August 7, 1996, the dividend rate on the Insured I Series B AMPS was 3.45%; and as of the auction held on August 7, 1996, the dividend rate on the Insured I Series C AMPS was 3.45%. In connection with the auction held on July 31, 1996, Insured I elected a special dividend period on the Insured I Series D AMPS which ends on February 12, 1997, and the dividend rate during such special dividend period is 3.74%. As of the auction held on August 7, 1996, the dividend rate on the Insured I Series E AMPS was 3.40%.

Similarly, auctions generally have been held and will be held every 28 days in the case of the Insured II Series A AMPS and every seven

days in the case of the Insured II Series B AMPS unless Insured II elects, subject to certain limitations, to have a special dividend period. In connection with the auction held on June 10, 1996, Insured II elected a special dividend period on the Insured II Series A AMPS which ends on February 3, 1997 and the dividend rate during such special dividend period is 3.68%. The Insured I Series F AMPS to be issued in the Reorganization for the Insured II Series A AMPS will have an initial dividend period ending on February 3, 1997 and an initial dividend rate of 3.68%. As of the auction held on August 5, 1996, the dividend rate on the Insured II Series B AMPS was 3.178%.

Advisory Fees. The investment adviser for both Insured I and Insured II is Fund Asset Management, L.P. ("FAM"). FAM is an affiliate of MLAM, and both FAM and MLAM are owned and controlled by Merrill Lynch & Co., Inc. ("ML & Co."). The principal business address of FAM is 800 Scudders Mill Road, Plainsboro, New Jersey 08536. MLAM or FAM acts as the investment adviser for more than 130 registered investment companies. FAM also offers portfolio management and portfolio analysis services to individuals and institutions.

FAM is responsible for the management of each Fund's investment portfolio and for providing administrative services to each Fund. The same personnel manage the portfolios of both Insured I and Insured II. William Bock serves as the portfolio manager for both Funds.

Pursuant to separate investment advisory agreements between each Fund and FAM, each Fund pays FAM a monthly fee at the annual rate of 0.50% of such Fund's average weekly net assets. Subsequent to the Reorganization, FAM will continue to receive compensation at the rate of 0.50% of the average weekly net assets of the surviving Fund. See "Comparison of the Funds -- Management of the Funds".

Other Significant Fees. Boston EquiServe is the transfer agent, dividend disbursing agent and registrar for both Insured I and Insured II in connection with their respective Common Stock. State Street Bank and Trust Company is the custodian for the assets of Insured I and Insured II. IBJ Schroder Bank and Trust Company is the transfer agent, registrar and auction agent for both Insured I and Insured II in connection with their respective AMPS. The principal business addresses are as follows: Boston EquiServe, 150 Royall Street, Canton, Massachusetts 02021; State Street Bank and Trust Company, One Heritage Drive, P2N, North Quincy, Massachusetts 02171; IBJ Schroder Bank and Trust Company, One State Street, New York, New York 10004. See "Comparison of the Funds -- Management of the Funds".

Overall Expense Ratio. As of April 30, 1996, the overall annualized operating expense ratio for Insured I was 0.64%, based on average net

assets of approximately $1.0 billion including AMPS, and 0.93%, based on average net assets of approximately $706.5 million excluding AMPS, and the overall annualized expense ratio for Insured II was 0.67%, based on average net assets of approximately $374.9 million including AMPS, and 0.98%, based on average net assets of approximately $254.9 million excluding AMPS. If the Reorganization had taken place on April 30, 1996, the overall operating expense ratio for the combined fund on a pro forma basis would have been 0.62%, based on average net assets of approximately $1.4 billion including AMPS, and 0.90%, based on average net assets of approximately $961.5 million excluding AMPS.

Purchases and Sales of Common Stock and AMPS. Purchase and sale procedures for both Insured I Common Stock and Insured II Common Stock are identical, and investors typically purchase and sell shares of Common Stock of such Funds through a registered broker-dealer on the NYSE, thereby incurring a brokerage commission set by the broker-dealer. Alternatively, investors may purchase or sell shares of Common Stock of such Funds through privately negotiated transactions with existing stockholders.

Purchase and sale procedures for Insured I AMPS and Insured II AMPS also are identical. Such AMPS generally are purchased and sold at separate auctions conducted on a regular basis by IBJ Schroder Bank and Trust Company, as the auction agent for each Fund's AMPS (the "Auction Agent"). Unless otherwise permitted by the Funds, existing and potential holders of AMPS only may participate in auctions through their broker-dealers. Broker-dealers submit the orders of their respective customers who are existing and potential holders of AMPS to the Auction Agent. On or prior to each auction date for the AMPS (the business day next preceding the first day of each dividend period), each holder may submit orders to buy, sell or hold AMPS to its broker-dealer. Outside of these auctions, shares of Insured I AMPS or Insured II AMPS may be purchased or sold through broker-dealers for the AMPS in a secondary trading market maintained by the broker-dealers. However, there can be no assurance that a secondary market actually will be developed and maintained by the broker-dealers for the AMPS of either Fund.

Ratings of AMPS. The Insured I AMPS and the Insured II AMPS have each been assigned a rating of AAA from Standard & Poor's Ratings Group ("S&P") and "aaa" from Moody's Investors Service, Inc. ("Moody's"). See "Comparison of the Funds -- Rating Agency Guidelines".

Portfolio Insurance. The policies are the same for each Fund with respect to obtaining insurance for portfolio securities. Under normal

circumstances, at least 80% of each Fund's assets will be invested in Municipal Bonds either (i) insured under an insurance policy purchased by the Fund or (ii) insured under an insurance policy obtained by the issuer thereof or any other party. See "Comparison of the Funds -- Investment Objective and Policies -- Portfolio Insurance".

Portfolio Transactions. The portfolio transactions in which Insured I and Insured II may engage are identical, as are the procedures for such transactions. See "Comparison of the Funds -- Portfolio Transactions".

Dividends and Distributions. The methods of dividend payment and distributions are identical for Insured I and Insured II, both with respect to the Common Stock and the AMPS of each Fund. See "Comparison of the Funds -- Dividends and Distributions".

Net Asset Value. The net asset value per share of Common Stock of each Fund is determined as of 15 minutes after the close of business on the NYSE (generally, 4:00 P.M., New York time) on each day during which the NYSE is open for trading. For purposes of determining the net asset value of a share of Common Stock of each Fund, the value of the securities held by the Fund plus any cash or other assets (including interest accrued but not yet received) minus all liabilities (including accrued expenses) and the aggregate liquidation value of the outstanding shares of AMPS of the Fund is divided by the total number of shares of Common Stock of the Fund outstanding at such time. Expenses, including the fees payable to FAM, are accrued daily. See "Comparison of the Funds -- Net Asset Value".

Voting Rights. The corresponding voting rights of the holders of shares of Insured I Common Stock and Insured II Common Stock are identical. Similarly, the corresponding voting rights of the holders of shares of Insured I AMPS and Insured II AMPS are identical. See "Comparison of the Funds -- Capital Stock".

Stockholder Services. An automatic dividend reinvestment plan is available both to the holders of shares of Insured I Common Stock and the holders of shares of Insured II Common Stock. The plans are identical for the two Funds. See "Comparison of the Funds -- Automatic Dividend Reinvestment Plan". Other stockholder services, including the provision of annual and semi-annual reports, are the same for the two Funds.

OUTSTANDING SECURITIES OF INSURED I AND INSURED II
AS OF JULY 31, 1996 (UNAUDITED)

<TABLE>
<CAPTION>

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY FUND FOR ITS OWN ACCOUNT	AMOUNT OUTSTANDING EXCLUSIVE OF AMOUNT SHOWN IN PREVIOUS COLUMN
<S>	<C>	<C>	<C>
INSURED I			
Common Stock............................	199,987,200	- 0 -	45,187,339
AMPS			
Series A AMPS........................	2,200	- 0 -	2,200
Series B AMPS........................	2,200	- 0 -	2,200
Series C AMPS........................	2,200	- 0 -	2,200
Series D AMPS........................	2,200	- 0 -	2,200
Series E AMPS........................	4,000	- 0 -	4,000
INSURED II			
Common Stock............................	199,995,200	- 0 -	16,420,827
AMPS			
Series A AMPS........................	2,400	- 0 -	2,400
Series B AMPS........................	2,400	- 0 -	2,400

</TABLE>

TAX CONSIDERATIONS......... Insured I and Insured II have jointly requested a private letter ruling from the IRS with respect to the Reorganization to the effect that, among other things, neither Insured I nor Insured II will recognize gain or loss on the transaction and Insured II stockholders will not recognize gain or loss on the exchange of their Insured II shares for shares of Insured I Common Stock (except to the extent that an Insured II Common Stockholder receives cash representing an interest in less than a full share of Insured I Common Stock in the Reorganization), Insured I Series F AMPS or Insured I Series G AMPS. The consummation of the Reorganization is subject to the receipt of such ruling. The Reorganization will not affect the status of Insured I as a regulated investment company (a "RIC") under the Internal Revenue Code of 1986, as amended (the "Code"). Insured II will liquidate pursuant to the Reorganization. See "The Reorganization -- Tax Consequences of the Reorganization".

RISK FACTORS AND SPECIAL CONSIDERATIONS

Since both Insured I and Insured II invest primarily in a portfolio of Municipal Bonds, any risks inherent in such investments are equally applicable to both Funds and will be similarly pertinent to the combined fund after the Reorganization. It is expected that the Reorganization itself will not adversely affect the rights of holders of shares of Common Stock or AMPS of either Fund or create additional risks.

EFFECTS OF LEVERAGE

Utilization of leverage, through the issuance of AMPS, involves certain risks to holders of Insured I Common Stock and Insured II Common Stock. For example, each Fund's issuance of AMPS may result in higher volatility of the net asset value of its Common Stock and potentially more volatility in the market value of its Common Stock. In addition, fluctuations in the short-term and medium-term dividend rates on, and the amount of taxable income allocable to, the AMPS affect the yield to holders of Common Stock. So long as each Fund, taking into account the costs associated with its AMPS and the Fund's operating expenses, is able to realize a higher net return on its investment portfolio than the then-current dividend rate on the AMPS, the effect of leverage is to cause holders of the Fund's Common Stock to realize a higher current rate of return than if the Fund were not leveraged. Similarly, since a pro rata portion of each Fund's net realized capital gains on its investment assets generally is payable to holders of the Fund's Common Stock, if increased net capital gains are realized by the Fund because of increased capital for investment, the effect of leverage will be to increase the amount of such gains distributed to holders of the Fund's Common Stock. However, short-term, medium-term and long-term interest rates change from time to time as does their relationship to each other (i.e., the slope of the yield curve) depending upon such factors as supply and demand forces, monetary and tax policies and investor expectations. Changes in such factors could cause the relationship between short-term, medium-term and long-term rates to change (i.e., to flatten or to invert the slope of the yield curve) so that short-term and medium-term rates may increase substantially relative to the long-term obligations in which each Fund may be invested. To the extent that the current dividend rate on the AMPS approaches the net return on a Fund's investment portfolio, the benefit of leverage to holders of Common Stock is reduced, and if the current dividend rate on the AMPS were to exceed the net return on a Fund's portfolio, the Fund's leveraged capital structure would result in a lower rate of return to holders of Common Stock than if the Fund were not leveraged. Similarly, since both the costs associated with the issuance of AMPS and any decline in the value of a Fund's investments (including investments purchased with the proceeds from any AMPS offering) are borne entirely by holders of the Fund's Common Stock, the effect of leverage in a declining market would result in a greater decrease in net asset value to holders of Common Stock than if the Fund were not leveraged. Such decrease in net asset value likely would be reflected in a greater decline in the market price for shares of Common Stock.

In an extreme case, a decline in net asset value could affect each Fund's ability to pay dividends on its Common Stock. Failure to make such dividend payments could adversely affect the Fund's qualification for the special tax treatment afforded RICs under the Code. See "The Reorganization -- Tax Consequences of the Reorganization". Each Fund intends, however, to take all measures necessary to continue to make Common Stock dividend payments. If a Fund's current investment income were not sufficient to meet dividend requirements on either the Common Stock or the AMPS, it could be necessary for the Fund to liquidate certain of its investments. In addition, each Fund has the authority to redeem its AMPS for any reason and may redeem all or part of its AMPS if (i) the Fund anticipates that its leveraged capital structure will result in a lower rate of return for any significant amount of time to holders of the Common Stock than that obtainable if the Common Stock were unleveraged or (ii) the asset coverage (as defined in the Investment Company Act) for the AMPS declines below 200% or the Fund fails to satisfy the guidelines specified by Moody's and S&P in connection with their respective rating of the AMPS. Redemption of the AMPS or insufficient investment income to make dividend payments may reduce the net asset value of the Common Stock and require the Fund to liquidate a portion of its investments at a time when it may be disadvantageous, in the absence of such extraordinary circumstances, to do so.

PORTFOLIO MANAGEMENT

The portfolio management strategies of Insured I and Insured II are the same. In the event of an increase in short-term or medium-term rates or other change in market conditions to the point where a Fund's leverage could adversely affect holders of Common Stock as noted above, or in anticipation of such changes, each Fund may attempt to shorten the average maturity of its investment portfolio, which would tend to offset the negative impact of leverage on holders of its Common Stock. Each Fund also may attempt to reduce the degree to which it is leveraged by redeeming AMPS pursuant to the provisions of the Fund's Articles Supplementary establishing the rights and preferences of the AMPS or otherwise purchasing shares of AMPS. Purchases and sales or redemptions of AMPS, whether on the open market or in negotiated transactions, are subject to limitations under the Investment Company Act. If market conditions subsequently change, each Fund may sell previously unissued shares of AMPS or shares of AMPS that the Fund previously issued but later repurchased or redeemed.

RATINGS CONSIDERATIONS

Insured I and Insured II have received ratings of their AMPS of AAA from S&P and "aaa" from Moody's. In order to maintain these ratings, the Funds are required to maintain portfolio holdings meeting specified guidelines of such rating agencies. These guidelines may impose asset coverage requirements that are more stringent than those imposed by the Investment Company Act.

As described by Moody's and S&P, a preferred stock rating is an assessment of the capacity and willingness of an issuer to pay preferred stock obligations. The ratings of the AMPS are not recommendations to purchase, hold or sell shares of AMPS, inasmuch as the ratings do not comment as to market price or suitability for a particular investor, nor do the rating agency guidelines address the likelihood that a holder of shares of AMPS will be able to sell such shares in an auction. The ratings are based on current information furnished to Moody's and S&P by the Funds and FAM and information obtained from other sources. The ratings may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information. Neither the Insured I Common Stock nor the Insured II Common Stock has been rated by a nationally recognized statistical rating organization.

The Board of Directors of each of Insured I and Insured II, as the case may be, without stockholder approval, may amend, alter or repeal certain definitions or restrictions which have been adopted by the Fund pursuant to the rating agency guidelines, in the event the Fund receives confirmation from the rating agencies that any such amendment, alteration or repeal would not impair the ratings then assigned to shares of AMPS.

COMPARISON OF THE FUNDS

FINANCIAL HIGHLIGHTS

Insured I

The financial information in the table below, except for the six-month period ended April 30, 1996 which is unaudited and has been provided by FAM, has been audited in conjunction with the annual audits of the financial statements of the Fund by Deloitte & Touche LLP, independent auditors. The following per share data and ratios have been derived from information provided in the financial statements of the Fund.

<TABLE>
<CAPTION>

<S>	FOR THE SIX MONTHS ENDED APRIL 30, 1996 <C>	FOR THE YEAR ENDED OCTOBER 31, 1995 <C>	1994 <C>	1993 <C>	FOR THE PERIOD MARCH 27, 1992+ TO OCTOBER 31, 1992 <C>
Increase (Decrease) in Net Asset Value:					
PER SHARE OPERATING PERFORMANCE:					
Net asset value, beginning of period.....	$ 15.46	$ 13.85	$ 16.76	$ 14.27	$ 14.18
Investment income -- net.................	.59	1.20	1.20	1.21	.66
Realized and unrealized gain (loss) on investments -- net.....................	(.33)	1.66	(2.66)	2.59	.16
Total from investment operations.........	.26	2.86	(1.46)	3.80	.82
Less dividends and distributions to Common Stock shareholders:					
Investment income -- net..............	(.46)	(.92)	(.98)	(1.00)	(.48)
Realized gain on investments -- net....	(.09)	(.00)#	(.26)	(.10)	--
In excess of realized gain on investments -- net...................	--	(.04)	--	--	--
Total dividends and distributions to Common Stock shareholders.............	(.55)	(.96)	(1.24)	(1.10)	(.48)
Capital charge resulting from issuance of Common Stock..........................	--	--	--	--	(.01)
Effect of Preferred Stock activity:++					
Dividends and distributions to Preferred Stock shareholders:					
Investment income -- net............	(.11)	(.28)	(.17)	(.19)	(.10)
Realized gain on investments -- net................	(.03)	(.00)#	(.04)	(.02)	--
In excess of realized gain on investments -- net.................	--	(.01)	--	--	--
Capital charge resulting from issuance of Preferred Stock..................	--	--	--	--	(.14)

Total effect of Preferred Stock activity	(.14)	(.29)	(.21)	(.21)	(.24)
Net asset value, end of period	$ 15.03	$ 15.46	$ 13.85	$ 16.76	$ 14.27
Market price per share, end of period	$ 13.75	$ 13.625	$ 11.625	$ 15.875	$ 14.875

</TABLE>

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED APRIL 30, 1996	FOR THE YEAR ENDED OCTOBER 31, 1995	1994	1993	FOR THE PERIOD MARCH 27, 1992+ TO OCTOBER 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>
RETURN:**Based on market price per share	4.88%##	26.09%	(20.23)%	14.51%	2.46%##
Based on net asset value per share	1.03%##	20.09%	(9.98)%	26.01%	3.97%##
RATIOS TO AVERAGE NET ASSETS:***					
Expenses, net of reimbursement	.64%*	.65%	.66%	.65%	.47%*++++
Expenses	.64%*	.65%	.66%	.65%	.66%*
Investment income -- net	5.20%*	5.55%	5.35%	5.35%	5.69%*
SUPPLEMENTAL DATA:					
Net assets, net of Preferred Stock, end of period (in thousands)	$679,008	$698,512	$625,630	$757,138	$638,150
Preferred Stock outstanding, end of period (in thousands)	$320,000	$320,000	$320,000	$320,000	$320,000
Portfolio turnover	46.42%	59.71%	45.71%	39.93%	21.89%
DIVIDENDS PER SHARE ON PREFERRED STOCK OUTSTANDING:+++					
Series A -- Investment income -- net	$ 360	$ 1,043	$ 1,184	$ 1,150	$ 688
Series B -- Investment income -- net	$ 363	$ 1,043	$ 1,090	$ 1,253	$ 656
Series C -- Investment income -- net	$ 368	$ 1,042	$ 1,278	$ 1,175	$ 659
Series D -- Investment income -- net	$ 362	$ 950	$ 1,144	$ 1,426	$ 767
Series E -- Investment income -- net	$ 408	$ 933	$ 1,282	$ 1,492	$ 766
LEVERAGE:					
Asset coverage per $1,000	$ 3,122	$ 3,183	$ 2,955	$ 3,366	$ 2,994

</TABLE>

----

*   Annualized.

**   Total investment returns based on market value, which can be significantly greater or less than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales loads.

*** Does not reflect the effect of dividends to Preferred Stock shareholders.

\+   Commencement of operations.

++   The Fund's Preferred Stock was issued on May 22, 1992.

+++ Dividends per share have been adjusted to reflect a two-for-one stock split that occurred on December 1, 1994.

\#   Amount is less than $.01 per share.

Aggregate total investment return.

++++ For the period March 27, 1992 (commencement of operations) to October 31, 1992, FAM earned fees of $2,644,017, of which $963,565 was voluntarily waived.

Insured II

The financial information in the table below, except for the six-month period ended April 30, 1996 and the leverage information which are unaudited and have been provided by FAM, has been audited in conjunction with the annual audits of the financial statements of the Fund by Ernst & Young LLP, independent auditors. The following per share data and ratios have been derived from information provided in the financial statements of the Fund.

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED APRIL 30,	FOR THE YEAR ENDED OCTOBER 31,			FOR THE PERIOD OCTOBER 30, 1992+ TO OCTOBER 31,
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Increase (Decrease) in Net Asset Value:					
PER SHARE OPERATING PERFORMANCE:					
Net asset value, beginning of period..........................	$ 15.27	$ 13.45	$ 16.63	$ 14.15	$14.18
Investment income -- net..........	.58	1.19	1.18	1.15	--
Realized and unrealized gain (loss) on investments -- net....	(.30)	1.88	(2.92)	2.53	--
Total from investment operations......................	.28	3.07	(1.74)	3.68	--
Less dividends and distributions to Common Stock shareholders:					
Investment income -- net......	(.44)	(.90)	(.96)	(.88)	--
Realized loss on investments -- net..........	(.03)	(.04)	(.25)	--	--
In excess of realized gain on investments -- net..........	--	(.03)	--	--	--
Total dividends and distributions to Common Stock shareholders....	(.47)	(.97)	(1.21)	(.88)	--
Capital charge resulting from issuance of Common Stock........	--	--	--	--	(.03)
Effect of Preferred Stock activity++:					
Dividends and distributions to Preferred Stock shareholders:					
Investment income -- net......	(.12)	(.27)	(.18)	(.18)	--
Realized gain on investments -- net..........	(.01)	(.01)	(.05)	--	--
In excess of realized gain on investments -- net..........	--	(.00)	--	--	--
Capital charge resulting from issuance of Preferred Stock...	--	--	--	(.14)	--
Total effect of Preferred Stock activity........................	(.13)	(.28)	(.23)	(.32)	--
Net asset value, end of period....	$ 14.95	$ 15.27	$ 13.45	$ 16.63	$14.15
Market price per share, end of period..........................	$13.375	$13.125	$11.375	$15.875	$15.00

</TABLE>

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED APRIL 30, 1996	FOR THE YEAR ENDED OCTOBER 31, 1995	1994	1993	FOR THE PERIOD OCTOBER 30, 1992+ TO OCTOBER 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>
RETURN:**Based on market price per share...........................	5.41%##	24.33%	(21.92%)	11.95%	.00%##
Based on net asset value per share...........................	1.27%##	22.33%	(11.87%)	24.32%	(0.21%)##
RATIOS TO AVERAGE NET ASSETS:***					
Expenses, net of reimbursement....	.67%*	.69%	.69%	.54%###	--
Expenses..........................	.67%*	.69%	.69%	.65%	--
Investment income -- net..........	5.15%*	5.47%	5.24%	5.25%	--
SUPPLEMENTAL DATA:					
Net assets, net of Preferred Stock, end of period (in thousands)......................	$ 245,559	$ 250,690	$ 220,828	$ 272,639	$230,667
Preferred Stock outstanding, end of period (in thousands)........	$ 120,000	$ 120,000	$ 120,000	$ 120,000	--
Portfolio turnover................	39.74%	64.18%	47.85%	38.69%	--
DIVIDENDS PER SHARE ON PREFERRED STOCK OUTSTANDING+++:					
Series A -- Investment income -- net...................	$ 406	$ 953	$ 590	$ 592	--
Series B -- Investment income -- net...................	$ 440	$ 902	$ 640	$ 640	--
LEVERAGE:					
Asset coverage per $1,000.........	$ 3,046	$ 3,089	$ 2,840	$ 3,272	--

</TABLE>

<TABLE>
<S>   <C>

*	Annualized.
**	Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales loads.
***	Does not reflect the effect of dividends to Preferred Stock shareholders.
+	Commencement of operations.
++	The Fund's Preferred Stock was issued on November 30, 1992.
+++	Dividends per share have been adjusted to reflect a two-for-one stock split that occurred on December 1, 1994.
#	Amount is less than $.01 per share.
##	Aggregate total investment return.
###	For the year ended October 31, 1993, FAM earned fees of $1,809,565, of which $316,159 was voluntarily waived. In addition, FAM reimbursed the Fund $76,732 for additional expenses.

</TABLE>

PER SHARE DATA FOR COMMON STOCK*
TRADED ON THE NEW YORK STOCK EXCHANGE

Insured I

<TABLE>
<CAPTION>

	MARKET PRICE**	NET ASSET VALUE	PREMIUM (DISCOUNT) TO NET ASSET VALUE

QUARTER ENDED	HIGH	LOW	HIGH	LOW	HIGH	LOW
<S>	<C>	<C>	<C>	<C>	<C>	<C>
January 31, 1993..................	$15.375	$ 14.50	$15.01	$14.27	4.24 %	(2.55)%
April 30, 1993....................	15.75	15.00	16.18	14.99	1.08	(3.66)
July 31, 1993.....................	16.00	15.125	16.20	15.60	(0.19)	(4.93)
October 31, 1993..................	16.625	15.625	17.08	16.00	(0.48)	(7.00)
January 31, 1994..................	16.50	15.00	16.78	16.19	0.12	(8.21)
April 30, 1994....................	16.25	13.25	16.55	14.26	(1.75)	(11.21)
July 31, 1994.....................	14.00	13.00	15.36	14.38	(4.51)	(11.91)
October 31, 1994..................	13.75	11.50	15.00	13.85	(8.19)	(17.56)
January 31, 1995..................	13.125	10.75	14.30	12.82	(5.03)	(17.56)
April 30, 1995....................	13.375	12.875	15.07	14.32	(6.79)	(13.39)
July 31, 1995.....................	13.75	12.75	15.62	14.71	(9.88)	(15.14)
October 31, 1995..................	13.75	13.25	15.54	14.69	(9.01)	(13.26)
January 31, 1996..................	14.625	13.375	16.06	15.52	(8.31)	(14.92)
April 30, 1996....................	14.75	13.625	16.23	14.88	(5.91)	(10.14)
July 31, 1996.....................	13.75	13.375	15.23	14.80	(8.64)	(11.54)

</TABLE>

Insured II

<TABLE>
<CAPTION>

	MARKET PRICE**		NET ASSET VALUE		PREMIUM (DISCOUNT) TO NET ASSET VALUE	
QUARTER ENDED	HIGH	LOW	HIGH	LOW	HIGH	LOW
<S>	<C>	<C>	<C>	<C>	<C>	<C>
January 31, 1993..................	$15.125	$14.125	$14.78	$14.15	4.75 %	(4.04)%
April 30, 1993....................	15.875	14.625	16.00	14.78	0.71	(4.46)
July 31, 1993.....................	15.75	15.00	16.01	15.39	0.96	(4.21)
October 31, 1993..................	16.50	15.25	16.95	15.80	(0.60)	(6.16)
January 31, 1994..................	16.75	15.375	16.61	16.03	0.25	(8.61)
April 30, 1994....................	16.125	12.75	16.38	13.87	(1.56)	(11.20)
July 31, 1994.....................	13.75	13.00	15.14	14.07	(3.44)	(11.66)
October 31, 1994..................	13.375	11.375	14.74	13.45	(5.56)	(17.22)
January 31, 1995..................	12.625	10.50	14.03	12.41	(4.84)	(17.97)
April 30, 1995....................	13.25	12.875	14.82	14.05	(8.36)	(13.12)
July 31, 1995.....................	13.375	12.50	15.41	14.45	(10.96)	(16.34)
October 31, 1995..................	13.375	12.625	15.35	14.48	(10.96)	(15.77)
January 31, 1996..................	14.375	13.125	15.91	15.34	(8.61)	(15.13)
April 30, 1996....................	14.50	13.250	16.17	14.82	(8.46)	(12.92)
July 31, 1996.....................	13.50	13.125	15.14	14.71	(9.82)	(12.79)

</TABLE>

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*   Calculations are based upon shares of Common Stock outstanding at the end of each quarter.

** As reported in the consolidated transaction reporting system.

As indicated in the tables above, since November 1, 1993 the Insured I Common Stock and the Insured II Common Stock generally have traded at market prices that represent a discount to net asset value. Since November 1, 1993, share prices for Insured I Common Stock have fluctuated between a maximum premium of 0.12% and a maximum discount of (17.56%) and share prices for Insured II Common Stock have fluctuated between a maximum premium of 0.25% and a maximum discount of (17.97%). Although there is no reason to believe that this pattern should be affected by the Reorganization, it is not possible to state whether shares of the surviving fund will trade at a premium or discount to net asset value following the Reorganization, or what the extent of any such premium or discount might be.

INVESTMENT OBJECTIVE AND POLICIES

The structure, organization and investment policies of Insured I and Insured II are virtually identical, with the minor differences between the two Funds set forth below. Each Fund seeks as a fundamental investment objective as high a level of current income exempt from Federal income taxes as is consistent with the Fund's investment policies and prudent investment management.

The investment objective and policies of Insured I and Insured II are identical. Each Fund seeks to achieve its investment objective by investing primarily in a portfolio of Municipal Bonds. The investment objective of each Fund is a fundamental policy that may not be changed without a vote of a majority of the Fund's outstanding voting securities. Under normal circumstances, at least 80% of each Fund's total assets will be invested in Municipal Bonds with remaining maturities of one year or more which are covered by insurance guaranteeing the timely payment of principal at maturity and interest. At times, each Fund may seek to hedge its portfolio through the use of futures and options transactions to reduce volatility in the net asset value of its shares of Common Stock.

Ordinarily, neither Fund intends to realize significant investment income not exempt from Federal income taxes. Each Fund seeks to invest substantially all of its total assets in Municipal Bonds except at times when, in the judgment of FAM, Municipal Bonds of sufficient quality and quantity are unavailable for investment by the Fund. Each Fund may invest in certain tax-exempt securities classified as "private activity bonds" (in general, bonds that benefit non-governmental entities) that may subject certain investors in the Fund to an alternative minimum tax. Neither Fund will invest more than 25% of its total assets (taken at market value) in Municipal Bonds whose issuers are located in the same state.

The investment grade Municipal Bonds in which each Fund invests are those Municipal Bonds rated at the date of purchase within the four highest rating categories of S&P, Moody's or Fitch Investors Service, Inc. ("Fitch") or, if unrated, are considered to be of comparable quality by FAM. In the case of long-term debt, the investment grade rating categories are AAA through BBB- for S&P, Aaa through Baa3 for Moody's and AAA through BBB- for Fitch. In the case of short-term notes, the investment grade rating categories are SP-1 through SP-3 for S&P, MIG-1 through MIG-4 for Moody's and F-1+ through F-4 for Fitch. In the case of tax-exempt commercial paper, the investment grade rating categories are A through A-3 for S&P, Prime-1 through Prime-3 for Moody's and F-1+ through F-4 for Fitch. Obligations ranked in the fourth highest rating category assigned long-term debt or in an equivalent short-term rating category (BBB, SP-3 and A-3 for S&P; Baa, MIG-4 and Prime-3 for Moody's; and BBB, F-3 and F-4 for Fitch), while considered "investment grade," may have certain speculative characteristics. In assessing the quality of Municipal Bonds with respect to the foregoing requirements, FAM takes into account the portfolio insurance as well as the nature of any letters of credit or similar credit enhancement to which particular Municipal Bonds are entitled and the

creditworthiness of the insurance company or other financial institution which provided such credit enhancement. See Exhibit II -- "Ratings of Municipal Bonds and Commercial Paper" and Exhibit III -- "Portfolio Insurance".

In the case of Insured II only, if Municipal Bonds are covered by insurance policies issued by insurers whose claims-paying ability is rated AAA by S&P or Aaa by Moody's, FAM may consider such Municipal Bonds to be equivalent to AAA or Aaa rated securities, as the case may be, even though such Municipal Bonds would generally be assigned a lower rating if the rating were based primarily upon the credit characteristics of the issuers without regard to the insurance feature. The insured Municipal Bonds must also comply with the standards applied by the insurance carriers in determining eligibility for portfolio insurance.

Insured I and Insured II may invest in variable rate demand obligations ("VRDOs") and VRDOs in the form of participation interests ("Participating VRDOs") in variable rate tax-exempt obligations held by a financial institution, typically a commercial bank. The VRDOs in which each Fund may invest are tax-exempt obligations (in the opinion of counsel to the issuer) which contain a floating or variable interest rate adjustment formula and an unconditional right of demand on the part of the holder thereof to receive payment of the unpaid principal balance plus accrued interest on a short notice period not to exceed seven days. Participating VRDOs provide the Funds with a specified undivided interest (up to 100%) of the underlying obligation and the right to demand payment of the unpaid principal balance plus accrued interest on the Participating VRDOs from the financial institution on a specified number of days' notice, not to exceed seven days. There is, however, the possibility that because of default or insolvency, the demand feature of VRDOs or Participating VRDOs may not be honored. Insured I and Insured II have been advised by their counsel that the Funds should be entitled to treat the income received on Participating VRDOs as interest from tax-exempt obligations.

The average maturity of each Fund's portfolio securities varies based upon FAM's assessment of economic and market conditions. The net asset value of the shares of common stock of a close-end investment company, such as each Fund, which invests primarily in fixed-income securities, changes as the general levels of interest rates fluctuate. When interest rates decline, the value of a fixed income portfolio can be expected to rise. Conversely, when interest rates rise, the value of a fixed-income portfolio can be expected to decline. Prices of longer-term securities generally fluctuate more in response to interest rate changes than do short-term or medium-term securities. These changes in net asset value are likely to be greater in the case of a fund having a leveraged capital structure, such as the Funds.

On a temporary basis, each Fund may invest in short-term tax-exempt securities, short-term U.S. Government securities, repurchase agreements or cash. Such securities or cash will not exceed 20% of each Fund's total assets except during interim periods pending investment of the net proceeds from public offerings of the Fund's securities and temporary defensive periods when, in the opinion of FAM, prevailing market or economic conditions warrant.

Each Fund is classified as non-diversified within the meaning of the Investment Company Act, which means that the Fund is not limited by such Act in the proportion of its total assets that it may invest in securities of a single issuer. However, each Fund's investments are limited so as to qualify the Fund for the special tax treatment afforded RICs under the Code. See "The Reorganization -- Tax Consequences of the Reorganization". To qualify, among other requirements, each Fund limits its investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the market value of the Fund's total assets are

invested in the securities (other than U.S. Government securities) of a single issuer, and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets are invested in the securities (other than U.S. Government securities) of a single issuer. A fund which elects to be classified as "diversified" under the Investment Company Act must satisfy the foregoing 5% requirement with respect to 75% of its total assets. To the extent that Insured I or Insured II assumes large positions in the securities of a small number of issuers, the Fund's yield may fluctuate to a greater extent than that of a diversified company as a result of changes in the financial condition or in the market's assessment of the issuers.

PORTFOLIO INSURANCE

Under normal circumstances, at least 80% of each Fund's assets will be invested in Municipal Bonds either (i) insured under an insurance policy purchased by the Fund or (ii) insured under an insurance policy obtained by the issuer thereof or any other party. The insurance policies in either instance will be issued by insurance carriers that have total admitted assets (unaudited) of at least $50,000,000 and insurance claims-paying ability ratings of AAA from S&P and Aaa from Moody's. See Exhibit III to this Proxy Statement and Prospectus for a brief description of S&P's and Moody's insurance claims-paying ability ratings. Currently, a majority of the insured Municipal Bonds in each Fund's portfolio are insured by the following insurance companies which satisfy the foregoing requirements: AMBAC Indemnity Corporation, Financial Security Assurance/Capital Guaranty Insurance Company, Financial Guaranty Insurance Company and Municipal Bond Investors Assurance Corporation. Each Fund also may purchase Municipal Bonds covered by insurance issued by any other insurance company which satisfies the foregoing requirements. A majority of insured Municipal Bonds held by each Fund will be insured under policies obtained by parties other than the Fund.

Each Fund may purchase, but has no obligation to purchase, separate mutual fund insurance policies (the "Policies") from insurance companies meeting the requirements set forth above which guarantee payment of principal and interest on specified eligible Municipal Bonds purchased by the Fund. A Municipal Bond will be eligible for coverage if it meets certain requirements of the insurance company set forth in a Policy. In the event interest or principal on an insured Municipal Bond is not paid when due, the insurer will be obligated under its Policy to make such payment not later than 30 days after it has been notified by, and provided with documentation from, the Fund that such nonpayment has occurred.

The Policies will be effective only as to insured Municipal Bonds beneficially owned by a Fund. In the event of a sale of any Municipal Bonds held by a Fund, the issuer of the relevant Policy will be liable only for those payments of interest and principal which are then due and owing. The Policies will not guarantee the market value of the insured Municipal Bonds or the value of the shares of the Fund.

The insurer will not have the right to withdraw coverage on securities insured by its Policies and held by a Fund so long as such securities remain in the Fund's portfolio. In addition, the insurer may not cancel its Policies for any reason except failure to pay premiums when due. The Board of Directors of each Fund reserves the right to terminate any of the Policies if it determines that the benefits to the Fund of having its portfolio insured under such Policy are not justified by the expense involved.

The premiums for the Policies are paid by a Fund and the yield on the Fund's portfolio is reduced thereby. FAM estimates that the cost of the annual premiums for the Policies of each Fund currently range from approximately .10 of 1% to .25 of 1% of the principal amount of the Municipal Bonds covered by such

Policies. The estimate is based on the expected composition of each Fund's portfolio of Municipal Bonds. Additional information regarding the Policies is set forth in Exhibit III to this Proxy Statement and Prospectus. In instances in which the Fund purchases Municipal Bonds insured under policies obtained by parties other than the Fund, the Fund does not pay the premiums for such policies; rather, the cost of such policies may be reflected in the purchase price of the Municipal Bonds.

It is the intention of FAM to retain any insured securities which are in default or in significant risk of default and to place a value on the insurance which ordinarily will be the difference between the market value of the defaulted security and the market value of similar securities which are not in default. In certain circumstances, however, FAM may determine that an alternative value for the insurance, such as the difference between the market value of the defaulted security and its par value, is more appropriate. FAM will be unable to manage the portfolio of a Fund to the extent it holds defaulted securities, which may limit its ability in certain circumstances to purchase other Municipal Bonds. See "Net Asset Value" below for a more complete description of each Fund's method of valuing defaulted securities and securities which have a significant risk of default.

There can be no assurance that insurance of the kind described above will continue to be available to each Fund. In the event the Board of Directors of a Fund determines that such insurance is unavailable or that the cost of such insurance outweighs the benefits to the Fund, the Fund may discontinue its policy of maintaining insurance for all or any of the Municipal Bonds held in the Fund's portfolio. Although FAM periodically reviews the financial condition of each insurer, there can be no assurance that the insurers will be able to honor their obligations under all circumstances.

The portfolio insurance reduces financial or credit risk (i.e., the possibility that the owners of the insured Municipal Bonds will not receive timely scheduled payments of principal or interest). However, the insured Municipal Bonds are subject to market risk (i.e., fluctuations in market value as a result of changes in prevailing interest rates.

DESCRIPTION OF MUNICIPAL BONDS

Municipal Bonds include debt obligations issued to obtain funds for various public purposes, including construction of a wide range of public facilities, refunding of outstanding obligations and obtaining funds for general operating expenses and loans to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to finance various privately operated facilities, including pollution control facilities. For purposes of this Proxy Statement and Prospectus, such obligations are Municipal Bonds if the interest paid thereon is exempt from Federal income tax, even though such bonds may be "private activity bonds" as discussed below.

The two principal classifications of Municipal Bonds are "general obligation" bonds and "revenue" or "special obligation" bonds. General obligation bonds are secured by the issuer's pledge of faith, credit and taxing power for the payment of principal and interest. Revenue or special obligation bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds from a special excise tax or other specific revenue source such as from the user of the facility being financed. Industrial development bonds are in most cases revenue bonds and generally do not constitute the pledge of the credit or taxing power of the issuer of such bonds. The payment of the principal and interest on such industrial development bonds depends solely on the ability of the user of the facility financed by the bonds to

meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment. Municipal Bonds also may include "moral obligation" bonds which normally are issued by special purpose public authorities. If an issuer of moral obligation bonds is unable to meet its obligations, the repayment of such bonds becomes a moral commitment but not a legal obligation of the state or municipality in question.

Each Fund may purchase Municipal Bonds classified as "private activity bonds" (in general, bonds that benefit non-governmental entities). Interest received on certain tax-exempt securities which are classified as "private activity bonds" may subject certain investors in the Fund to an alternative minimum tax. There is no limitation on the percentage of each Fund's assets that may be invested in Municipal Bonds which may subject certain investors to an alternative minimum tax. See "The Reorganization -- Summary -- Tax Considerations" and "The Reorganization -- Agreement and Plan of Reorganization -- Tax Consequences of the Reorganization".

Federal tax legislation has limited the types and volume of bonds the interest on which qualifies for a Federal income tax exemption. As a result, this legislation and legislation which may be enacted in the future may affect the availability of Municipal Bonds for investment by the Funds.

OTHER INVESTMENT POLICIES

Both Insured I and Insured II have adopted certain other policies as set forth below:

Borrowings. Each Fund is authorized to borrow amounts of up to 5% of the value of its total assets at the time of such borrowings; provided, however, that each Fund is authorized to borrow money in excess of 5% of the value of its total assets for the purpose of repurchasing its Common Stock or redeeming its AMPS. Borrowings by each Fund create an opportunity for greater total return but, at the same time, increase exposure to capital risk. In addition, borrowed funds are subject to interest costs that may offset or exceed the return earned on the borrowed funds. For so long as shares of a Fund's AMPS are rated by Moody's or S&P, unless it receives written confirmation from Moody's or S&P, as the case may be, that such action would not impair the ratings then assigned to the shares of AMPS by Moody's or S&P, the issuing Fund will not borrow money except for the purpose of clearing portfolio securities transactions (which borrowings under any circumstances shall be limited to the lesser of $10 million and an amount equal to 5% of the market value of the Fund's assets at the time of such borrowings and further in the case of Insured II, which borrowings shall be repaid within 60 days and not be extended or renewed).

When-Issued Securities and Delayed Delivery Transactions. Insured I and Insured II may purchase or sell Municipal Bonds on a delayed delivery basis or on a when-issued basis at fixed purchase or sale terms. These transactions arise when securities are purchased or sold by a Fund with payment and delivery taking place in the future. The purchase will be recorded on the date that the Fund enters into the commitment, and the value of the obligation thereafter will be reflected in the calculation of the Fund's net asset value. The value of the obligation on the delivery day may be more or less than its purchase price. A separate account of the Fund will be established with its custodian consisting of cash, cash equivalents or liquid Municipal Bonds having a market value at all times at least equal to the amount of the commitment.

Indexed and Inverse Floating Obligations. Insured I and Insured II may invest in Municipal Bonds the return on which is based on a particular index of value or interest rates. For example, each Fund may invest in Municipal Bonds that pay interest based on an index of Municipal Bond interest rates or based on the value of gold or some other product. The principal amount payable upon maturity of certain Municipal Bonds also may be based on the value of an index. To the extent a Fund invests in these types of Municipal Bonds, the Fund's

return on such Municipal Bonds will be subject to risk with respect to the value of the particular index. Also, a Fund may invest in so-called "inverse floating rate bonds" or "residual interest bonds" on which the interest rates typically vary inversely with a short-term floating rate (which may be reset periodically by a dutch auction, by a remarketing agent, or by reference to a short-term tax-exempt interest rate index). Each Fund may purchase original issue inverse floating rate bonds in both the primary and secondary markets and also may purchase in the secondary market synthetically-created inverse floating rate bonds evidenced by custodial or trust receipts. Generally, interest rates on inverse floating rate bonds will decrease when short-term rates increase, and will increase when short-term rates decrease. Such securities have the effect of providing a degree of investment leverage, since they may increase or decrease in value in response to changes, as an illustration, in market interest rates at a rate which is a multiple (typically two) of the rate at which fixed-rate, long-term, tax-exempt securities increase or decrease in response to such changes. As a result, the market values of such securities generally will be more volatile than the market values of fixed-rate tax-exempt securities. To seek to limit the volatility of these securities, a Fund may purchase inverse floating rate bonds with shorter-term maturities or which contain limitations on the extent to which the interest rate may vary. FAM believes that indexed and inverse floating obligations represent a flexible portfolio management instrument for the Funds which allows FAM to vary the degree of investment leverage relatively efficiently under different market conditions.

Call Rights. Insured I and Insured II may purchase a Municipal Bond issuer's right to call all or a portion of such Municipal Bond for mandatory tender for purchase (a "Call Right"). A holder of a Call Right may exercise such right to require a mandatory tender for the purchase of the related Municipal Bonds, subject to certain conditions. A Call Right that is not exercised prior to the maturity of the related Municipal Bond will expire without value. The economic effect of holding both the Call Right and the related Municipal Bond is identical to holding a Municipal Bond as a non-callable security.

INFORMATION REGARDING OPTIONS AND FUTURES TRANSACTIONS

Each Fund may hedge all or a portion of its portfolio investments against fluctuations in interest rates through the use of options and certain financial futures contracts ("financial futures contracts") and options thereon. While each Fund's use of hedging strategies is intended to reduce the volatility of the net asset value of its Common Stock, the net asset value of its Common Stock fluctuates. There can be no assurance that a Fund's hedging transactions will be effective. In addition, because of the leveraged nature of each Fund's Common Stock, hedging transactions will result in a larger impact on the net asset value of the Common Stock than would be the case if the Common Stock were not leveraged. For so long as a Fund's AMPS are rated by Moody's or S&P, as the case may be, the Fund's use of options and financial futures contracts and options thereon will be subject to certain limitations mandated by the rating agencies. Furthermore, a Fund only will engage in hedging activities from time to time and may not necessarily be engaging in hedging activities when movements in interest rates occur.

Certain Federal income tax requirements may limit a Fund's ability to engage in hedging transactions. Gains from transactions in financial futures contracts or options thereon distributed to stockholders are taxable as ordinary income or, in certain circumstances, as long-term capital gains to stockholders.

The following is a description of the transactions involving options and financial futures contracts and options thereon in which each Fund may engage, limitations on the use of such transactions and risks associated therewith. The investment policies with respect to the hedging transactions of a Fund are not

fundamental policies and may be modified by the Board of Directors of the Fund without the approval of the Fund's stockholders.

Writing Covered Call Options. Each Fund is authorized to write (i.e., sell) covered call options with respect to Municipal Bonds it owns, thereby giving the holder of the option the right to buy the underlying security covered by the option from the Fund at the stated exercise price until the option expires. Each Fund writes only covered call options, which means that so long as the Fund is obligated as the writer of a call option, it will own the underlying securities subject to the option. The Fund may not write covered call options on underlying securities in an amount exceeding 15% of the market value of its total assets. Each Fund receives a premium from writing a call option, which increases the Fund's return on the underlying security in the event the option expires unexercised or is closed out at a profit. By writing a call, a Fund limits its opportunity to profit from an increase in the market value of the underlying security above the exercise price of the option for as long as the Fund's obligation as a writer continues. Covered call options serve as a partial hedge against a decline in the price of the underlying security. Each Fund may engage in closing transactions in order to terminate outstanding options that it has written.

Purchase of Options. Each Fund is authorized to purchase put options in connection with its hedging activities. By buying a put, the Fund has a right to sell the underlying security at the exercise price, thus limiting the Fund's risk of loss through a decline in the market value of the security until the put expires. The amount of any appreciation in the value of the underlying security will be partially offset by the amount of the premium terminated by entering into the closing sale transaction. In certain circumstances, the Fund may purchase call options on securities held in its portfolio on which it has written call options, or on securities which it intends to purchase. A Fund will not purchase options on securities if, as a result of such purchase, the aggregate cost of all outstanding options on securities held by the Fund would exceed 5% of the market value of the Fund's total assets.

Financial Futures Contracts and Options Thereon. Each Fund is authorized to purchase and sell certain financial futures contracts and options thereon solely for the purposes of hedging its investments in Municipal Bonds against declines in value and hedging against increases in the cost of securities it intends to purchase. A financial futures contract obligates the seller of a contract to deliver and the purchaser of a contract to take delivery of the type of financial instrument covered by the contract or, in the case of index-based financial futures contracts, to make and accept a cash settlement, at a specific future time for a specified price. A sale of financial futures contracts or options thereon may provide a hedge against a decline in the value of portfolio securities because such depreciation may be offset, in whole or in part, by an increase in the value of the position in the financial futures contracts or options. A purchase of financial futures contracts or options thereon may provide a hedge against an increase in the cost of securities intended to be purchased, because such appreciation may be offset, in whole or in part, by an increase in the value of the position in the financial futures contracts or options.

The purchase or sale of a financial futures contract or option thereon differs from the purchase or sale of a security in that no price or premium is paid or received. Instead, an amount of cash or securities acceptable to the broker equal to approximately 5% of the contract amount must be deposited with the broker. This amount is known as initial margin. Subsequent payments to and from the broker, called variation margin, are made on a daily basis as the price of the financial futures contract or option thereon fluctuates making the long and short positions in the financial futures contract or option thereon more or less valuable.

Each Fund may purchase and sell financial futures contracts based on The Bond Buyer Municipal Bond Index, a price-weighted measure of the market value of 40 large tax-exempt issues, and purchase and sell put and call options on such financial futures contracts for the purpose of hedging Municipal Bonds which the Fund holds or anticipates purchasing against adverse changes in interest rates.

Each Fund also may purchase and sell financial futures contracts on U.S. Government securities and purchase and sell put and call options on such financial futures contracts for such hedging purposes. With respect to U.S. Government securities, currently there are financial futures contracts based on long-term U.S. Treasury bonds, U.S. Treasury notes, GNMA Certificates and three-month U.S. Treasury bills.

Subject to policies adopted by its Board of Directors, each Fund also may engage in transactions in other financial futures contracts or options thereon, such as financial futures contracts or options on other municipal bond indices which may become available, if FAM should determine that there normally is sufficient correlation between the prices of such financial futures contracts or options thereon and the Municipal Bonds in which the Fund invests to make such hedging appropriate.

Over-The-Counter Options. Each Fund is authorized to engage in transactions involving financial futures contracts or options thereon on exchanges and in the over-the-counter markets ("OTC options"). In general, exchange-traded contracts are third-party contracts (i.e., performance of the parties" obligations is guaranteed by an exchange or clearing corporation) with standardized strike prices and expiration dates. OTC options transactions are two-party contracts with price and terms negotiated by the buyer and seller.

Restrictions on OTC Options. Each Fund is authorized to engage in transactions in OTC options only with member banks of the Federal Reserve System and primary dealers in U.S. Government securities or with affiliates of such banks or dealers which have capital of at least $50 million or whose obligations are guaranteed by an entity having capital of at least $50 million. OTC options and assets used to cover OTC options written by the Funds are considered by the staff of the Commission to be illiquid. The illiquidity of such options or assets may prevent a successful sale of such options or assets, result in a delay of sale, or reduce the amount of proceeds that otherwise might be realized.

Risk Factors in Financial Futures Contracts and Options Thereon. Utilization of financial futures contracts and options thereon involves the risk of imperfect correlation in movements in the price of financial futures contracts and options thereon and movements in the price of the security which is the subject of the hedge. If the price of the financial futures contract or option thereon moves more or less than the price of the security that is the subject of the hedge, a Fund will experience a gain or loss which will not be completely offset by movements in the price of such security. There is a risk of imperfect correlation where the securities underlying financial futures contracts or options thereon have different maturities, ratings, geographic compositions or other characteristics than the security being hedged. In addition, the correlation may be affected by additions to or deletions from the index which serves as a basis for a financial futures contract or option thereon. Finally, in the case of financial futures contracts on U.S. Government securities and options on such financial futures contracts, the anticipated correlation of price movements between the U.S. Government securities underlying the financial futures contracts or options and Municipal Bonds may be adversely affected by economic, political, legislative or other developments which have a disparate impact on the respective markets for such securities.

Under regulations of the Commodity Futures Trading Commission, the futures trading activities described herein will not result in a Fund's being deemed a "commodity pool," as defined under such

regulations, provided that the Fund adheres to certain restrictions. In particular, the Fund may purchase and sell futures contracts and options thereon (i) for bona fide hedging purposes, and (ii) for non-hedging purposes, if the aggregate initial margin and premiums required to establish positions in such contracts and options does not exceed 5% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and unrealized losses on any such contracts and options. Margin deposits may consist of cash or securities acceptable to the broker and the relevant contract market.

When a Fund purchases a financial futures contract, or writes a put option or purchases a call option thereon, it will maintain an amount of cash, cash equivalents (e.g., commercial paper and daily tender adjustable notes) or short-term, high-grade, fixed-income securities in a segregated account with the Fund's custodian, so that the amount so segregated plus the amount of initial and variation margin held in the account of its broker equals the market value of the financial futures contract, thereby ensuring that the use of such financial futures contract is unleveraged.

Although certain risks are involved in financial futures contracts and options thereon, FAM believes that, because each Fund will engage in transactions involving financial futures contracts and options thereon only for hedging purposes, the options and futures portfolio strategies of a Fund will not subject the Fund to certain risks frequently associated with speculation in financial futures contracts and options thereon. A Fund may be restricted in engaging in transactions involving financial futures contracts and options thereon due to the requirement that less than 30% of its gross income in each taxable year be derived from the sale or other disposition of securities held for less than three months.

The volume of trading in the exchange markets with respect to Municipal Bond options may be limited, and it is impossible to predict the amount of trading interest that may exist in such options. In addition, there can be no assurance that viable exchange markets will continue.

Each Fund intends to enter into financial futures contracts and options thereon, on an exchange or in the over-the-counter market, only if there appears to be a liquid secondary market for such financial futures contracts or options. There can be no assurance, however, that a liquid secondary market will exist at any specific time. Thus, it may not be possible to close a financial futures contract position or the related option. The inability to close financial futures contract positions or the related options also could have an adverse impact on a Fund's ability to hedge effectively its portfolio. There is also the risk of loss by a Fund of margin deposits or collateral in the event of bankruptcy of a broker with which the Fund has an open position in a financial futures contract or the related option.

The liquidity of a secondary market in a financial futures contract or option thereon may be adversely affected by "daily price fluctuation limits" established by commodity exchanges which limit the amount of fluctuation in a financial futures contract or option price during a single trading day. Once the daily limit has been reached in the financial futures contract or option, no trades may be entered into at a price beyond the limit, thus preventing the liquidation of open financial futures contract positions or the related options. Prices in the past have reached or exceeded the daily limit on a number of consecutive trading days.

If it is not possible to close a financial futures contract position or the related option entered into by a Fund, the Fund would continue to be required to make daily cash payments of variation margin in the event of adverse price movements. In such a situation, if the Fund has insufficient cash, it may have to sell portfolio securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so.

The successful use of these transactions also depends on the ability of FAM to forecast correctly the direction and extent of interest rate movements within a given time frame. To the extent interest rates remain stable during the period in which a financial futures contract or option thereon is held by a Fund or moves in a direction opposite to that anticipated, the Fund may realize a loss on the hedging transaction which is not fully or partially offset by an increase in the value of portfolio securities. As a result, the Fund's total return for such period may be less than if it had not engaged in the hedging transaction.

INVESTMENT RESTRICTIONS

Insured I and Insured II have identical investment restrictions. The following are fundamental investment restrictions of each Fund and may not be changed without the approval of the holders of a majority of the outstanding shares of Common Stock and the outstanding shares of AMPS and any other preferred stock, voting together as a single class, and a majority of the outstanding shares of AMPS and any other preferred stock, voting separately as a class. (For this purpose and under the Investment Company Act, "majority" means for each such class the lesser of (i) 67% of the shares of each class of capital stock represented at a meeting at which more than 50% of the outstanding shares of each class of capital stock are represented or (ii) more than 50% of the outstanding shares of each class of capital stock.) Neither Fund may:

1. Make investments for the purpose of exercising control or management.

2. Purchase securities of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization, or by purchase in the open market of securities of closed-end investment companies and only if immediately thereafter not more than 10% of the Fund's total assets would be invested in such securities.

3. Purchase or sell real estate, real estate limited partnerships, commodities or commodity contracts; provided, however, that the Fund may invest in securities secured by real estate or interests therein or issued by companies that invest in real estate or interests therein, and the Fund may purchase and sell financial futures contracts and options thereon.

4. Issue senior securities other than preferred stock or borrow amounts in excess of 5% of its total assets taken at market value; provided, however, that the Fund is authorized to borrow money in excess of 5% of the value of its total assets for the purpose of repurchasing shares of Common Stock or redeeming shares of preferred stock.

5. Underwrite securities of other issuers except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933 in selling portfolio securities.

6. Make loans to other persons, except that the Fund may purchase Municipal Bonds and other debt securities in accordance with its investment objective, policies and limitations.

7. Purchase any securities on margin, except that (subject to investment restriction (4) above) the Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities (the deposit or payment by the Fund of initial or variation margin in connection with financial futures contracts and options thereon is not considered the purchase of a security on margin).

8. Make short sales of securities or maintain a short position or invest in put, call, straddle or spread options, except that the Fund may write, purchase and sell options and futures on Municipal Bonds, U.S. Government obligations and related indices or otherwise in connection with bona fide hedging activities.

9. Invest more than 25% of its total assets (taken at market value at the time of each investment) in securities of issuers in a single industry; provided, however, that for purposes of this restriction, states, municipalities and their political subdivisions are not considered to be

part of any industry.

An additional investment restriction adopted by each Fund, which may be changed by the Board of Directors, provides that the Fund may not mortgage, pledge, hypothecate or in any manner transfer, as security for indebtedness, any securities owned or held by the Fund except as may be necessary in connection with borrowings mentioned in investment restriction (4) above or except as may be necessary in connection with transactions in financial futures contracts and options thereon.

If a percentage restriction on investment policies or the investment or use of assets set forth above is adhered to at the time a transaction is effected, later changes in percentage resulting from changing values will not be considered a violation.

RATING AGENCY GUIDELINES

Each Fund intends that, so long as shares of its AMPS are outstanding, the composition of its portfolio will reflect guidelines established by Moody's and S&P in connection with the Fund's receipt of a rating for such shares on their date of original issue of "aaa" from Moody's and AAA from S&P. Moody's and S&P, nationally recognized statistical rating organizations, issue ratings for various securities reflecting the perceived creditworthiness of such securities. The guidelines for rating AMPS have been developed by Moody's and S&P in connection with issuances of asset-backed and similar securities, including debt obligations and variable rate preferred stocks, generally on a case-by-case basis through discussions with the issuers of these securities. The guidelines are designed to ensure that assets underlying outstanding debt or preferred stock will be varied sufficiently and will be of sufficient quality and amount to justify investment-grade ratings. The guidelines do not have the force of law but have been adopted by each Fund in order to satisfy current requirements necessary for Moody's and S&P to issue the above-described ratings for shares of AMPS, which ratings generally are relied upon by institutional investors in purchasing such securities. The guidelines provide a set of tests for portfolio composition and asset coverage that supplement (and in some cases are more restrictive than) the applicable requirements under the Investment Company Act.

Each Fund may, but is not required to, adopt any modifications to these guidelines that hereafter may be established by Moody's or S&P. Failure to adopt any such modifications, however, may result in a change in the ratings described above or a withdrawal of the ratings altogether. In addition, any rating agency providing a rating for the shares of AMPS, at any time, may change or withdraw any such rating. As set forth in the Articles Supplementary of each Fund, the Board of Directors, without stockholder approval, may modify certain definitions or restrictions which have been adopted by the Fund pursuant to the rating agency guidelines, provided the Board of Directors has obtained written confirmation from Moody's and S&P that any such change would not impair the ratings then assigned by Moody's and S&P to the AMPS. See "The Reorganization -- Risk Factors and Special Considerations -- Ratings Considerations".

For so long as any shares of a Fund's AMPS are rated by Moody's or S&P, as the case may be, a Fund's use of options and financial futures contracts and options thereon will be subject to certain limitations mandated by the rating agencies.

PORTFOLIO COMPOSITION

Although the investment portfolios of both Funds must satisfy the same standards of credit quality, the actual securities owned by each Fund are different, as a result of which there are certain differences in the composition of the two investment portfolios. Of the Municipal Bonds owned by Insured I as of July 31, 1996, 85.0% are rated in the highest grade by Moody's or S&P, 90.4% are rated in the highest two grades, 94.1% are rated in the highest three grades, 99.1% are rated in the highest four grades, and 0.9% are unrated. The comparable percentages for Insured II are 87.8% in the highest grade, 95.2% in the highest two grades, 97.9% in the highest three grades, 99.5% in the highest four grades and 0.5% unrated.

There are small differences in concentration among the states of issuers of the Municipal Bonds held in the portfolios of the Funds. For Insured I, as of July 31, 1996, the highest concentration of Municipal Bonds was in the states of California, Illinois and Texas, accounting for 16.7%, 8.8%, and 8.5% of the Fund's portfolio, respectively, whereas for Insured II, the highest concentration was in the states of Illinois, Texas and California, accounting for 13.7%, 12.5% and 11.4% of the Fund's portfolio, respectively.

Insured I

As of July 31, 1996, approximately 91% of the market value of Insured I's portfolio was invested in long-term municipal obligations and approximately 8% of the market value of Insured I's portfolio was invested in short-term municipal obligations. The following table sets forth certain information with respect to the composition of Insured I's long-term municipal obligation investment portfolio as of July 31, 1996.

S&P*	MOODY'S	NUMBER OF ISSUES	VALUE (IN THOUSANDS)	PERCENT
AAA	Aaa	103	781,403	85.0%
AA	Aa	10	49,734	5.4
A	A	7	34,196	3.7
BBB	Baa	7	45,318	5.0
NR	NR	2	8,244	0.9
		129	918,895	100.0%

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* Ratings: Using the higher of S&P's or Moody's rating on the Fund's municipal obligations. S&P's rating categories may be modified further by a plus (+) or minus (-) in AA, A, BBB, BB, B and C ratings. Moody's rating categories may be modified further by a 1, 2 or 3 in Aa, A, Baa, Ba and B ratings. See Exhibit II -- "Ratings of Municipal Bonds and Commercial Paper".

Insured II

As of July 31, 1996, approximately 90% of the market value of Insured II's portfolio was invested in long-term municipal obligations and approximately 8% of the market value of Insured II's portfolio was invested in

short-term municipal obligations. The following table sets forth certain information with respect to the composition of Insured II's long-term municipal obligation investment portfolio as of July 31, 1996.

S&P*	MOODY'S	NUMBER OF ISSUES	VALUE (IN THOUSANDS)	PERCENT
AAA	Aaa	65	$291,650	87.8%
AA	Aa	8	24,438	7.4
A	A	3	9,135	2.7
BBB	Baa	2	5,476	1.6
NR	NR	1	1,588	0.5
		79	$332,287	100.0%

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* Ratings: Using the higher of S&P's or Moody's rating on the Fund's municipal obligations. S&P's rating categories may be modified further by a plus (+) or minus (-) in AA, A, BBB, BB, B and C ratings. Moody's rating categories may be modified further by a 1, 2 or 3 in Aa, A, Baa, Ba and B ratings. See Exhibit II-- "Ratings of Municipal Bonds and Commercial Paper".

PORTFOLIO TRANSACTIONS

The procedures for engaging in portfolio transactions are the same for both Insured I and Insured II. Subject to policies established by the Board of Directors of each Fund, FAM is primarily responsible for the execution of each Fund's portfolio transactions. In executing such transactions, FAM seeks to obtain the best results for each Fund, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While FAM generally seeks reasonably competitive commission rates, Insured I and Insured II do not necessarily pay the lowest commission or spread available.

Neither Fund has any obligation to deal with any broker or dealer in the execution of transactions in portfolio securities. Subject to obtaining the best price and execution, securities firms which provide supplemental investment research to FAM, including Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), may receive orders for transactions by a Fund. Information so received will be in addition to, and not in lieu of, the services required to be performed by FAM under its investment advisory agreements with the Funds, and the expenses of FAM will not necessarily be reduced as a result of the receipt of such supplemental information.

The securities in which each Fund primarily invests are traded in the over-the-counter markets, and each Fund normally deals directly with the dealers who make markets in the securities involved, except in those circumstances where better prices and execution are available elsewhere. Under the Investment Company Act, except as permitted by exemptive order, persons affiliated with a Fund are prohibited from dealing with the Fund as principals in the purchase and sale of securities. Since transactions in the over-the-counter markets usually involve transactions with dealers acting as principals for their own account, a Fund will not deal with affiliated persons, including Merrill Lynch and its affiliates, in connection with such transactions, except that pursuant to an exemptive order obtained by FAM, a Fund may engage in principal transactions

with Merrill Lynch in high quality, short-term, tax-exempt securities. An affiliated person of a Fund may serve as its broker in over-the-counter transactions conducted on an agency basis.

Insured I and Insured II also may make loans to tax-exempt borrowers in individually negotiated transactions with the borrower. Because an active trading market may not exist for such securities, the prices that the Funds may pay for these securities or receive on their resale may be lower than that for similar securities with a more liquid market.

The Board of Directors of each Fund has considered the possibility of recapturing for the benefit of the Fund brokerage commissions, dealer spreads and other expenses of possible portfolio transactions, such as underwriting commissions, by conducting portfolio transactions through affiliated entities, including Merrill Lynch. For example, brokerage commissions received by Merrill Lynch could be offset against the investment advisory fees paid by the Fund to FAM. After considering all factors deemed relevant, the Directors made a determination not to seek such recapture. The Directors will reconsider this matter from time to time.

Periodic auctions are conducted for the Insured I AMPS and the Insured II AMPS by the Auction Agent for the Funds. The auctions require the participation of one or more broker-dealers, each of whom enters into an agreement with the Auction Agent. After each auction, the Auction Agent pays a service charge, from funds provided by the issuing Fund, to each broker-dealer at the annual rate of 1/4 of 1%, calculated on the basis of the purchase price of shares of the relevant AMPS placed by such broker-dealer at such auction.

PORTFOLIO TURNOVER

Generally, neither Insured I nor Insured II purchases securities for short-term trading profits. However, either Fund may dispose of securities without regard to the time that they have been held when such action, for defensive or other reasons, appears advisable to FAM. Although each Fund anticipates that its annual portfolio turnover rate should not exceed 100%, the turnover rate may vary greatly from year to year or during periods within a year. (The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of portfolio securities for the particular fiscal year by the monthly average of the value of the portfolio securities owned by a Fund during the particular fiscal year. For purposes of determining this rate, all securities whose maturities at the time of acquisition are one year or less are excluded.) The portfolio turnover rate for each of the years ended October 31, 1995 and 1994 was 59.71% and 45.71%, respectively, for Insured I and 64.18% and 47.85%, respectively, for Insured II.

NET ASSET VALUE

The net asset value per share of Common Stock of each Fund is determined as of 15 minutes after the close of business on the NYSE (generally, 4:00 P.M., New York time) on each day during which the NYSE is open for trading. For purposes of determining the net asset value of a share of Common Stock of each Fund, the value of the securities held by the Fund plus any cash or other assets (including interest accrued but not yet received) minus all liabilities (including accrued expenses) and the aggregate liquidation value of the outstanding shares of AMPS of the Fund is divided by the total number of shares of Common Stock of the Fund outstanding at such time. Expenses, including the fees payable to FAM, are accrued daily.

The Municipal Bonds in which each Fund invests are traded primarily in the over-the-counter markets. In determining net asset value, each Fund utilizes the valuations of portfolio securities furnished by a pricing

service approved by the Board of Directors. The pricing service typically values portfolio securities at the bid price or the yield equivalent when quotations are readily available. Municipal Bonds for which quotations are not readily available are valued at fair market value on a consistent basis as determined by the pricing service using a matrix system to determine valuations. The procedures of the pricing service and its valuations are reviewed by the officers of each Fund under the general supervision of the Board of Directors of the Fund. The Board of Directors of each Fund has determined in good faith that the use of a pricing service is a fair method of determining the valuation of portfolio securities. Obligations with remaining maturities of 60 days or less are valued at amortized cost, unless this method no longer produces fair valuations. Positions in futures contracts are valued at closing prices for such contracts established by the exchange on which they are traded, or if market quotations are not readily available, are valued at fair value on a consistent basis using methods determined in good faith by the Board of Directors of each Fund.

CAPITAL STOCK

Insured I and Insured II each has outstanding both Common Stock and AMPS. Insured I Common Stock and Insured II Common Stock both are traded on the NYSE. The shares of Insured I Common Stock commenced trading on the NYSE on March 27, 1992. As of July 31, 1996, the net asset value per share of the Insured I Common Stock was $15.23 and the market price per share was $13.75. The shares of Insured II Common Stock commenced trading on the NYSE on October 30, 1992. As of July 31, 1996, the net asset value per share of the Insured II Common Stock was $15.14 and the market price per share was $13.375.

Each Fund is authorized to issue 200,000,000 shares of capital stock, all of which shares initially were classified as Common Stock. The Board of Directors of each Fund is authorized to classify or reclassify any unissued shares of capital stock by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption. In connection with each Fund's offering of shares of AMPS, Insured I reclassified 12,800 shares of unissued capital stock as AMPS, and Insured II reclassified 4,800 shares of unissued capital stock as AMPS.

Common Stock

Holders of each Fund's Common Stock are entitled to share equally in dividends declared by the Fund's Board of Directors payable to holders of the Common Stock and in the net assets of the Fund available for distribution to holders of the Common Stock after payment of the preferential amounts payable to holders of any outstanding preferred stock. Holders of a Fund's Common Stock do not have preemptive or conversion rights and shares of a Fund's Common Stock are not redeemable. The outstanding shares of Common Stock of each Fund are fully paid and nonassessable.

So long as any shares of a Fund's AMPS or any other preferred stock are outstanding, holders of the Fund's Common Stock will not be entitled to receive any dividends of or other distributions from the Fund unless all accumulated dividends on outstanding shares of the Fund's AMPS and any other preferred stock have been paid, and unless asset coverage (as defined in the Investment Company Act) with respect to such AMPS and any other preferred stock would be at least 200% after giving effect to such distributions.

Preferred Stock

Insured I AMPS are structured identically to Insured II AMPS. The AMPS of each Fund are shares of preferred stock of the Fund that entitle their holders to receive dividends when, as and if declared by the Board of Directors, out of funds legally available therefor, at a rate per annum that may vary for the successive dividend periods. Insured I AMPS and Insured II AMPS both have liquidation preferences of $25,000 per share; neither Fund's AMPS are traded on any stock exchange or over-the-counter. Each Fund's AMPS can be purchased at an auction or through broker-dealers who maintain a secondary market in the AMPS.

Auctions generally have been held and will be held every 28 days in the case of the Insured I Series A AMPS, Series B AMPS, Series C AMPS and Series D AMPS and every seven days in the case of the Insured I Series E AMPS unless Insured I elects, subject to certain limitations, to have a special dividend period. As of the auction held on August 7, 1996, the dividend rate on the Insured I Series A AMPS was 3.47%; as of the auction held on August 7, 1996, the dividend rate on the Insured I Series B AMPS was 3.45%; and as of the auction held on August 7, 1996, the dividend rate on the Insured I Series C AMPS was 3.45%. In connection with the auction held on July 31, 1996, Insured I elected a special dividend period on the Insured I Series D AMPS which ends on February 12, 1997, and the dividend rate during such special dividend period is 3.74%. As of the auction held on August 7, 1996, the dividend rate on the Insured I Series E AMPS was 3.40%.

Similarly, auctions generally have been held and will be held every 28 days in the case of the Insured II Series A AMPS and every seven days in the case of the Insured II Series B AMPS unless Insured II elects, subject to certain limitations, to have a special dividend period. In connection with the auction held on June 10, 1996, Insured II elected a special dividend period on the Insured II Series A AMPS which ends February 3, 1997 and the dividend rate during such special dividend period is 3.68%. The Insured I Series F AMPS to be issued in the Reorganization for the Insured II Series A AMPS will have an initial dividend period ending February 3, 1997 and an initial dividend rate of 3.68%. As of the auction held on August 5, 1996, the dividend rate on the Insured II Series B AMPS was 3.178%.

Under the Investment Company Act, each Fund is permitted to have outstanding more than one series of preferred stock as long as no single series has priority over another series as to the distribution of assets of the Fund or the payment of dividends. Holders of a Fund's preferred stock do not have preemptive rights to purchase any shares of AMPS or any other preferred stock that might be issued. The net asset value per share of a Fund's AMPS equals its liquidation preference plus accumulated dividends per share.

Certain Provisions of the Charter

Each Fund's Charter includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Directors and could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. A Director may be removed from office with or without cause by a vote of the holders of at least 66 2/3% of the votes entitled to be voted on the matter. A Director elected by the holders of Common Stock, AMPS and any other preferred stock may be removed only by action of such holders, and a Director elected by the holders of AMPS and any other preferred stock may be removed only by action of the holders of AMPS and any other preferred stock. In addition, the Charter of each Fund requires the affirmative vote of the holders of at least 66 2/3% of all of the

Fund's shares of capital stock, then entitled to be voted, voting as a single class, to approve, adopt or authorize the following:

(i) a merger or consolidation or statutory share exchange of the Fund with any other corporation or entity,

(ii) a sale of all or substantially all of the Fund's assets (other than in the regular course of the Fund's investment activities), or

(iii) a liquidation or dissolution of the Fund,

unless such action has been approved, adopted or authorized by the affirmative vote of at least two-thirds of the entire Board of Directors, in which case the affirmative vote of a majority of all of the votes entitled to be cast by stockholders of the Fund, voting as a single class, is required. Such approval, adoption or authorization of the foregoing also would require the favorable vote of the holders of a majority of shares of preferred stock entitled to be voted thereon, including the AMPS, voting as a separate class.

In addition, conversion of a Fund to an open-end investment company would require an amendment to the Fund's Articles of Incorporation. The amendment would have to be declared advisable by the Board of Directors prior to its submission to stockholders. Such an amendment would require the affirmative vote of the holders of at least 66 2/3% of the Fund's outstanding shares of capital stock (including the AMPS and any other preferred stock) entitled to be voted on the matter, voting as a single class (or a majority of such shares if the amendment was previously approved, adopted or authorized by at least two-thirds of the entire Board of Directors) and the affirmative vote of a majority of votes entitled to be cast by holders of shares of preferred stock (including the AMPS), voting separately as a class. Such a vote also would satisfy a separate requirement in the Investment Company Act that the change be approved by the stockholders. Stockholders of an open-end investment company may require the company to redeem their shares of common stock at any time (except in certain circumstances as authorized by or under the Investment Company Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of a redemption. All redemptions will be made in cash. If the Fund is converted to an open-end investment company, it could be required to liquidate portfolio securities to meet requests for redemption and the Common Stock no longer would be listed on a stock exchange. Conversion to an open-end investment company also would require redemption of all outstanding shares of preferred stock (including the AMPS) and would require changes in certain of the Fund's investment policies and restrictions, such as those relating to the issuance of senior securities, the borrowing of money and the purchase of illiquid securities.

The Board of Directors of each Fund has determined that the 66 2/3% voting requirements described above, which are greater than the minimum requirements under Maryland law or the Investment Company Act, are in the best interests of stockholders generally. Reference should be made to the Charter of each Fund on file with the Commission for the full text of these provisions.

MANAGEMENT OF THE FUNDS

Directors and Officers. The Boards of Directors of each of Insured I and Insured II currently consist of six persons, five of whom are not "interested persons", as defined in the Investment Company Act, of either Fund. The Directors are responsible for the overall supervision of the operations of Insured I and Insured II and perform the various duties imposed on the directors of investment companies by the Investment Company

Act and under applicable Maryland law. Insured I and Insured II have the same officers. For further information regarding the Directors and officers of each Fund, see "Election of Directors".

Management and Advisory Arrangements. FAM serves as the investment adviser for both Insured I and Insured II pursuant to separate investment advisory agreements that, except for their termination dates, are identical. FAM is an affiliate of MLAM, and both FAM and MLAM are owned and controlled by ML & Co. FAM provides each Fund with the same investment advisory and management services. FAM or MLAM acts as the investment adviser for more than 130 registered investment companies. FAM also offers portfolio management and portfolio analysis services to individuals and institutions. As of July 31, 1996, FAM and MLAM had a total of approximately $207.3 billion in investment company and other portfolio assets under management (approximately $30.4 billion of which were invested in municipal securities), including accounts of certain affiliates of FAM. The principal business address of FAM is 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

Each Fund's investment advisory agreement with FAM provides that, subject to the direction of the Board of Directors of the Fund, FAM is responsible for the actual management of the Fund's portfolio. The responsibility for making decisions to buy, sell or hold a particular security for each Fund rests with FAM, subject to review by the Board of Directors of the Fund.

FAM provides the portfolio management for Insured I and Insured II. Such portfolio management considers analyses from various sources (including brokerage firms with which each Fund does business), makes the necessary investment decisions, and places orders for transactions accordingly. FAM also is responsible for the performance of certain administrative and management services for each Fund.

For the services provided by FAM under each Fund's investment advisory agreement, the Fund pays a monthly fee at an annual rate of .50 of 1% of the Fund's average weekly net assets (i.e., the average weekly value of the total assets of the Fund, minus the sum of accrued liabilities of the Fund and accumulated dividends on its shares of AMPS). For purposes of this calculation, average weekly net assets are determined at the end of each month on the basis of the average net assets of the Fund for each week during the month. The assets for each weekly period are determined by averaging the net assets at the last business day of a week with the net assets at the last business day of the prior week.

Each Fund's investment advisory agreement obligates FAM to provide investment advisory services and to pay all compensation of and furnish office space for officers and employees of the Fund connected with investment and economic research, trading and investment management of the Fund, as well as the compensation of all Directors of the Fund who are affiliated persons of FAM or any of its affiliates. Each Fund pays all other expenses incurred in the operation of the Fund, including, among other things, expenses for legal and auditing services, taxes, costs of printing proxies, listing fees, stock certificates and stockholder reports, charges of the custodian and the transfer agent, dividend disbursing agent and registrar, fees and expenses with respect to the issuance of AMPS, Commission fees, fees and expenses of unaffiliated Directors, accounting and pricing costs, insurance, interest, brokerage costs, litigation and other extraordinary or non-recurring expenses, mailing and other expenses properly payable by the Fund. FAM provides accounting services to each Fund, and each Fund reimburses FAM for its respective costs in connection with such services.

Unless earlier terminated as described below, the investment advisory agreement between Insured I and FAM will continue from year to year if approved annually (a) by the Board of Directors of Insured I or by a majority of the outstanding shares of Insured I Common Stock and Insured I AMPS, voting together as a

single class, and (b) by a majority of the Directors of Insured I who are not parties to such contract or "interested persons", as defined in the Investment Company Act, of any such party. The contract is not assignable and it may be terminated without penalty on 60 days' written notice at the option of either party thereto or by the vote of the stockholders of Insured I.

Similarly, unless earlier terminated as described below, the investment advisory agreement between Insured II and FAM will continue from year to year if approved annually (a) by the Board of Directors of Insured II or by a majority of the outstanding shares of Insured II Common Stock and Insured II AMPS, voting together as a single class, and (b) by a majority of the Directors of Insured II who are not parties to such contract or "interested persons" of any such party. The contract is not assignable and it may be terminated without penalty on 60 days' written notice at the option of either party thereto or by the vote of the stockholders of Insured II.

VOTING RIGHTS

Voting rights are identical for the holders of shares of Insured I Common Stock and the holders of shares of Insured II Common Stock. Holders of each Fund's Common Stock are entitled to one vote for each share held and will vote with the holders of any outstanding shares of the Fund's AMPS or other preferred stock on each matter submitted to a vote of holders of Common Stock, except as set forth below.

Stockholders of each Fund are entitled to one vote for each share held. The shares of each Fund's Common Stock, AMPS and any other preferred stock do not have cumulative voting rights, which means that the holders of more than 50% of the shares of a Fund's Common Stock, AMPS and any other preferred stock voting for the election of Directors can elect all of the Directors standing for election by such holders, and, in such event, the holders of the remaining shares of a Fund's Common Stock, AMPS and any other preferred stock will not be able to elect any of such Directors.

Voting rights of the holders of Insured I AMPS are identical to voting rights of the holders of Insured II AMPS. Except as otherwise indicated below, and except as otherwise required by applicable law, holders of shares of a Fund's AMPS will be entitled to one vote per share on each matter submitted to a vote of the Fund's stockholders and will vote together with the holders of shares of the Fund's Common Stock as a single class.

In connection with the election of a Fund's Directors, holders of shares of a Fund's AMPS and any other preferred stock, voting separately as a class, shall be entitled at all times to elect two of the Fund's Directors, and the remaining Directors will be elected by holders of shares of the Fund's Common Stock and shares of the Fund's AMPS and any other preferred stock, voting together as a single class. In addition, if at any time dividends on outstanding shares of a Fund's AMPS shall be unpaid in an amount equal to at least two full years' dividends thereon or if at any time holders of any shares of a Fund's preferred stock are entitled, together with the holders of shares of the Fund's AMPS, to elect a majority of the Directors of the Fund under the Investment Company Act, then the number of Directors constituting the Board of Directors automatically shall be increased by the smallest number that, when added to the two Directors elected exclusively by the holders of shares of AMPS and any other preferred stock as described above, would constitute a majority of the Board of Directors as so increased by such smallest number, and at a special meeting of stockholders which will be called and held as soon as practicable, and at all subsequent meetings at which Directors are to be elected, the holders of shares of the Fund's AMPS and any other preferred stock, voting separately as a

class, will be entitled to elect the smallest number of additional Directors that, together with the two Directors which such holders in any event will be entitled to elect, constitutes a majority of the total number of Directors of the Fund as so increased. The terms of office of the persons who are Directors at the time of that election will continue. If the Fund thereafter shall pay, or declare and set apart for payment in full, all dividends payable on all outstanding shares of AMPS and any other preferred stock for all past dividend periods, the additional voting rights of the holders of shares of AMPS and any other preferred stock as described above shall cease, and the terms of office of all of the additional Directors elected by the holders of shares of AMPS and any other preferred stock (but not of the Directors with respect to whose election the holders of shares of Common Stock were entitled to vote or the two Directors the holders of shares of AMPS and any other preferred stock have the right to elect in any event) will terminate automatically.

STOCKHOLDER INQUIRIES

Stockholder inquiries with respect to Insured I and Insured II may be addressed to either Fund by telephone at (609) 282-2800 or at the address set forth on the cover page of this Proxy Statement and Prospectus.

DIVIDENDS AND DISTRIBUTIONS

Insured I's current policy with respect to dividends and distributions relating to shares of Insured I Common Stock is identical to Insured II's policy with respect to shares of Insured II Common Stock. Each Fund intends to distribute all of its net investment income. Dividends from such net investment income are declared and paid monthly to holders of a Fund's Common Stock. Monthly distributions to holders of a Fund's Common Stock normally consist of substantially all of the net investment income remaining after the payment of dividends on the Fund's AMPS. All net realized long-term or short-term capital gains, if any, are distributed at least annually, pro rata to holders of shares of a Fund's Common Stock and AMPS. While any shares of a Fund's AMPS are outstanding, the Fund may not declare any cash dividend or other distribution on the Fund's Common Stock, unless at the time of such declaration (1) all accumulated dividends on the Fund's AMPS have been paid, and (2) the net asset value of the Fund's portfolio (determined after deducting the amount of such dividend or other distribution) is at least 200% of the liquidation value of the Fund's outstanding shares of AMPS. This limitation on a Fund's ability to make distributions on its Common Stock under certain circumstances could impair the ability of the Fund to maintain its qualification for taxation as a RIC. See "Agreement and Plan of Reorganization -- Tax Consequences of the Reorganization".

Similarly, Insured I's current policy with respect to dividends and distributions relating to shares of Insured I AMPS is identical to Insured II's current policy with respect to shares of Insured II AMPS. The holders of shares of a Fund's AMPS are entitled to receive, when, as and if declared by the Board of Directors of the Fund, out of funds legally available therefor, cumulative cash dividends on their shares. Dividends on a Fund's shares of AMPS so declared and payable shall be paid (i) in preference to and in priority over any dividends so declared and payable on the Fund's Common Stock, and (ii) to the extent permitted under the Code and to the extent available, out of net tax-exempt income earned on the Fund's investments. Dividends for the Insured I AMPS and the Insured II AMPS are paid through The Depository Trust Company ("DTC") (or a successor securities depository) on each dividend payment date. DTC's normal procedures now provide for it to distribute dividends in same-day funds to agent members, who in turn are expected to distribute such dividends to the person for whom they are acting as agent in accordance with the instructions

of such person. Prior to each dividend payment date, the relevant Fund is required to deposit with the Auction Agent sufficient funds for the payment of such declared dividends. Neither Fund intends to establish any reserves for the payment of dividends, and no interest will be payable in respect of any dividend payment or payment on the shares of a Fund's AMPS which may be in arrears.

Dividends paid by each Fund, to the extent paid from tax-exempt income earned on Municipal Bonds, are exempt from Federal income taxes, subject to the possible application of the alternative minimum tax. However, each Fund is required to allocate net capital gains and other income subject to regular Federal income taxes, if any, proportionately between shares of its Common Stock and shares of its AMPS in accordance with the current position of the IRS described herein. Each Fund notifies the Auction Agent of the amount of any net capital gains or other taxable income to be included in any dividend on shares of AMPS prior to the auction establishing the applicable rate for such dividend. The Auction Agent in turn notifies each broker-dealer whenever it receives any such notice from a Fund, and each broker-dealer then notifies its customers who are holders of the Fund's AMPS. Each Fund also may include such income in a dividend on shares of its AMPS without giving advance notice thereof if it increases the dividend by an additional amount to offset the tax effect thereof. The amount of taxable income allocable to shares of a Fund's AMPS will depend upon the amount of such income realized by the Fund and other factors, but generally is not expected to be significant.

For information concerning the manner in which dividends and distributions to holders of each Fund's Common Stock may be reinvested automatically in shares of the Fund's Common Stock, see "Automatic Dividend Reinvestment Plan" below. Dividends and distributions may be taxable to stockholders under certain circumstances as discussed below, whether they are reinvested in shares of a Fund or received in cash.

If Insured I or Insured II, as the case may be, retroactively allocates any net capital gains or other income subject to regular Federal income taxes to shares of its AMPS without having given advance notice thereof as described above, which only may happen when such allocation is made as a result of the redemption of all or a portion of the outstanding shares of its AMPS or the liquidation of the Fund, the Fund will make certain payments to holders of shares of its AMPS to which such allocation was made to offset substantially the tax effect thereof. In no other instances will the Fund be required to make payments to holders of shares of its AMPS to offset the tax effect of any reallocation of net capital gains or other taxable income.

AUTOMATIC DIVIDEND REINVESTMENT PLAN

Pursuant to each Fund's Automatic Dividend Reinvestment Plan (each, the "Plan"), unless a holder of a Fund's Common Stock elects otherwise, all dividend and capital gains distributions are reinvested automatically by Boston EquiServe, as agent for stockholders in administering the Plan (the "Plan Agent"), in additional shares of the Fund's Common Stock. Holders of a Fund's Common Stock who elect not to participate in the Plan receive all distributions in cash paid by check mailed directly to the stockholder of record (or, if the shares are held in street or other nominee name, then to such nominee) by Boston EquiServe, as dividend paying agent. Such stockholders may elect not to participate in the Plan and to receive all distributions of dividends and capital gains in cash by sending written instructions to Boston EquiServe, as dividend paying agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by written notice if received by the Plan Agent not less than ten days prior to any dividend record date; otherwise, such termination will be effective with respect to any subsequently declared dividend or capital gains distribution.

Whenever a Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as "dividends") payable either in shares or in cash, non-participants in the Plan receive cash, and participants in the Plan receive the equivalent in shares of the Fund's Common Stock. The shares are acquired by the Plan Agent for the participant's account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized shares of the Fund's Common Stock from the Fund ("newly-issued shares") or (ii) by purchase of outstanding shares of the Fund's Common Stock on the open market ("open-market purchases"), on the NYSE or elsewhere. If on the payment date for the dividend, the net asset value per share of the Fund's Common Stock is equal to or less than the market price per share of the Fund's Common Stock plus estimated brokerage commissions (such condition being referred to herein as "market premium"), the Plan Agent invests the dividend amount in newly-issued shares on behalf of the participant. The number of newly-issued shares of the Fund's Common Stock to be credited to the participant's account is determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date, the net asset value per share is greater than the market value (such condition being referred to herein as "market discount"), the Plan Agent invests the dividend amount in shares acquired on behalf of the participant in open-market purchases.

In the event of a market discount on the dividend payment date, the Plan Agent has until the last business day before the next date on which the shares trade on an "ex-dividend" basis or in no event more than 30 days after the dividend payment date (the "last purchase date") to invest the dividend amount in shares acquired in open-market purchases. Each Fund intends to pay monthly income dividends. Therefore, the period during which open-market purchases can be made exists only from the payment date on the dividend through the date before the next "ex-dividend" date, which typically is approximately ten days. If, before the Plan Agent has completed its open-market purchases, the market price of a share of a Fund's Common Stock exceeds the net asset value per share, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Fund's shares, resulting in the acquisition of fewer shares than if the dividend had been paid in newly-issued shares on the dividend payment date. Because of the foregoing difficulty with respect to open-market purchases, the Plan provides that if the Plan Agent is unable to invest the full dividend amount in open-market purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Agent ceases making open-market purchases and invests the uninvested portion of the dividend amount in newly-issued shares at the close of business on the last purchase date.

The Plan Agent maintains all stockholders' accounts in the Plan and furnishes written confirmation of all transactions in the account, including information needed by stockholders for tax records. Shares in the account of each Plan participant are held by the Plan Agent in non-certificated form in the name of the participant, and each stockholder's proxy includes those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held pursuant to the Plan in accordance with the instructions of the participants.

In the case of stockholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the record stockholders as representing the total amount registered in the record stockholder's name and held for the account of beneficial owners who are to participate in the Plan.

There are no brokerage charges with respect to shares issued directly by Insured I or Insured II as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant pays a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of dividends.

The automatic reinvestment of dividends and distributions does not relieve participants of any Federal, state or local income tax that may be payable (or required to be withheld) on such dividends. See "The Reorganization -- Tax Consequences of the Reorganization".

Stockholders participating in the Plan may receive benefits not available to stockholders not participating in the Plan. If the market price plus commissions of a Fund's shares of Common Stock is above the net asset value, participants in the Plan receive shares of the Fund's Common Stock at less than they otherwise could purchase them and have shares with a cash value greater than the value of any cash distribution they would have received on their shares. If the market price plus commissions is below the net asset value, participants receive distributions in shares with a net asset value greater than the value of any cash distribution they would have received on their shares. However, there may be insufficient shares available in the market to make distributions in shares at prices below the net asset value. Also, since neither Fund normally redeems its shares, the price on resale may be more or less than the net asset value.

Each Fund reserves the right to amend or terminate its Plan. There is no direct service charge to participants in the Plan; however, each Fund reserves the right to amend its Plan to include a service charge payable by the participants.

LIQUIDATION RIGHTS OF HOLDERS OF AMPS

Upon any liquidation, dissolution or winding up of Insured I or Insured II, as the case may be, whether voluntary or involuntary, the holders of shares of the Fund's AMPS will be entitled to receive, out of the assets of the Fund available for distribution to stockholders, before any distribution or payment is made upon any shares of the Fund's Common Stock or any other capital stock of the Fund ranking junior in right of payment upon liquidation to AMPS, $25,000 per share together with the amount of any dividends accumulated but unpaid (whether or not earned or declared) thereon to the date of distribution, and after such payment the holders of AMPS will be entitled to no other payments except for any additional dividends. If such assets of the Fund shall be insufficient to make the full liquidation payment on the AMPS and liquidation payments on any other outstanding class or series of preferred stock of the Fund ranking on a parity with the AMPS as to payment upon liquidation, then such assets will be distributed among the holders of shares of AMPS and the holders of shares of such other class or series ratably in proportion to the respective preferential amounts to which they are entitled. After payment of the full amount of liquidation distribution to which they are entitled, the holders of shares of a Fund's AMPS will not be entitled to any further participation in any distribution of assets by the Fund except for any additional dividends. A consolidation, merger or share exchange of a Fund with or into any other entity or entities or a sale, whether for cash, shares of stock, securities or properties, of all or substantially all or any part of the assets of the Fund shall not be deemed or construed to be a liquidation, dissolution or winding up of the Fund.

TAX RULES APPLICABLE TO INSURED I, INSURED II AND THEIR STOCKHOLDERS

The tax consequences associated with investment in shares of Insured I Common Stock are identical to the tax consequences associated with investment in shares of Insured II Common Stock. Similarly, the tax consequences associated with investment in shares of Insured I AMPS are identical to the tax consequences associated with investment in shares of Insured II AMPS. Insured I and Insured II have elected and qualified for the special tax treatment afforded RICs under the Code. As a result, in any taxable year in which they distribute an amount equal to at least 90% of taxable net income and 90% of tax-exempt net income (see below), the Funds (but not their stockholders) are not subject to Federal income tax to the extent that they distribute their net investment income and net realized capital gains. In prior taxable years and in the taxable year of the Reorganization, each Fund has distributed substantially all of its income. Insured I intends to continue to distribute substantially all of its income in the taxable years following the Reorganization. If, at any time when shares of a Fund's AMPS are outstanding the Fund does not meet the asset coverage requirements of the Investment Company Act, the Fund is required to suspend distributions to holders of shares of its Common Stock until the asset coverage is restored. This can prevent the Fund from distributing at least 90% of its net income and therefore can jeopardize the Fund's qualification for taxation as a RIC. Upon any failure to meet the asset coverage requirements, the Funds may, and under certain circumstances are required to, redeem shares of AMPS in order to maintain or restore the requisite asset coverage and avoid the adverse consequences of failing to qualify as a RIC.

Each Fund is qualified to pay "exempt-interest dividends" as defined in Section 852(b)(5) of the Code. Under such section, if, at the close of each quarter of its taxable year, at least 50% of the value of a Fund's total assets consists of obligations exempt from Federal income tax ("tax-exempt obligations") under Section 103(a) of the Code (relating generally to obligations of a state or local governmental unit), the Fund is qualified to pay exempt-interest dividends to its stockholders. Exempt-interest dividends are dividends or any part thereof paid by a Fund which are attributable to interest on tax-exempt obligations and designated by the Fund as exempt-interest dividends in a written notice mailed to stockholders within 60 days after the close of its taxable year. To the extent that the dividends distributed to a Fund's stockholders are derived from interest income exempt from Federal income tax under Code Section 103(a) and are properly designated as exempt-interest dividends, they are excludable from a stockholder's gross income for Federal income tax purposes. Exempt-interest dividends are included, however, in determining the portion, if any, of a person's social security benefits and railroad retirement benefits subject to Federal income taxes. Interest on indebtedness incurred or continued to purchase or carry a Fund's shares is not deductible for Federal income tax purposes to the extent attributable to exempt-interest dividends. A tax adviser should be consulted with respect to whether exempt-interest dividends retain the exclusion under Code Section 103(a) if a stockholder would be treated as a "substantial user" or "related person" under Code Section 147(a) with respect to property financed with the proceeds from an issue of "industrial development bonds" or "private activity bonds," if any, held by a Fund.

Each Fund informs its stockholders annually as to the portion of the Fund's distributions which constitutes exempt-interest dividends. Interest on indebtedness incurred or continued to purchase or carry a Fund's shares is not deductible for Federal income tax purposes.

The IRS, in a revenue ruling, held that certain AMPS would be treated as stock for Federal income tax purposes. The terms of the Insured I AMPS and the Insured II AMPS are substantially similar, but not identical, to the AMPS discussed in the revenue ruling, and in the opinion of Brown & Wood LLP, counsel to

both Funds, the shares of each Fund's AMPS constitute stock and distributions with respect to shares of such AMPS (other than distributions in redemption of shares of AMPS subject to Section 302(b) of the Code) constitute dividends to the extent of current and accumulated earnings and profits as calculated for Federal income tax purposes. Nevertheless, the IRS could take a contrary position, asserting, for example, that the shares of AMPS constitute debt. If this position were upheld, the discussion of the treatment of distributions below would not apply to holders of shares of AMPS. Instead, distributions by each Fund to holders of shares of its AMPS would constitute interest, whether or not they exceed the earnings and profits of the Fund, would be included in full in the income of the recipient and taxed as ordinary income. Counsel believes that such a position, if asserted by the IRS, would be unlikely to prevail.

To the extent that a Fund's distributions are derived from interest on its taxable investments or from an excess of net short-term capital gains over net long-term capital losses ("ordinary income dividends"), such distributions are considered taxable ordinary income for Federal income tax purposes. Distributions, if any, from an excess of net long-term capital gains over net short-term capital losses derived from the sale of securities or from certain transactions in futures or options ("capital gain dividends") are taxable as long-term capital gains for Federal income tax purposes, regardless of the length of time the stockholder has owned Fund shares. Distributions by a Fund, whether from exempt-interest income, ordinary income or capital gains, will not be eligible for the dividends received deduction for corporations under the Code.

All or a portion of a Fund's gain from the sale or redemption of tax-exempt obligations purchased at a market discount will be treated as ordinary income rather than capital gain. This rule may increase the amount of ordinary income dividends received by stockholders. Any loss upon the sale or exchange of Fund shares held for six months or less is treated as long-term capital loss to the extent of capital gain dividends received by the stockholder. In addition, such loss is disallowed to the extent of any exempt-interest dividends received by the stockholder. Distributions in excess of a Fund's earnings and profits first will reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gains to such holder (assuming the shares are held as a capital asset). If a Fund pays a dividend in January which was declared in the previous October, November or December to stockholders of record on a specified date in one of such months, then such dividend is treated for tax purposes as paid by the Fund and received by its stockholders on December 31 of the year in which such dividend was declared.

The IRS has taken the position in a revenue ruling that if a RIC has two classes of shares it may designate distributions made to each class in any year as consisting of no more than such class' proportionate share of particular types of income, including exempt-interest dividends and capital gain dividends. Thus, each Fund is required to allocate a portion of its net capital gains and other taxable income to the shares of its AMPS. Each Fund may notify the Auction Agent of the amount of any net capital gains and other taxable income to be included in any dividend on shares of its AMPS prior to the auction establishing the applicable rate for such dividend. Except for the portion of any dividend that a Fund informs the Auction Agent will be treated as capital gains or other taxable income, the dividends paid on the shares of AMPS constitute exempt-interest dividends. Alternatively, each Fund may include such income in a dividend on shares of its AMPS without giving advance notice thereof if it increases the dividend by an additional amount to offset the tax effect thereof. The amount of net capital gains and ordinary income allocable to shares of a Fund's AMPS (the "taxable distribution") depends upon the amount of such gains and income realized by the Fund and the total dividends paid by the Fund on shares of its Common Stock and shares of its AMPS during a taxable year, but the taxable distribution generally is not significant.

In the opinion of Brown & Wood LLP counsel to both Funds, under current law the manner in which each Fund allocates items of tax-exempt income, net capital gains, and other taxable income, if any, between shares of its Common Stock and shares of its AMPS will be respected for Federal income tax purposes. However, the tax treatment of additional dividends may affect a Fund's calculation of each class' allocable share of capital gains and other taxable income. In addition, there is currently no direct guidance from the IRS or other sources specifically addressing whether a Fund's method for allocating tax-exempt income, net capital gains and other taxable income between shares of its Common Stock and shares of its AMPS will be respected for Federal income tax purposes, and it is possible that the IRS could disagree with counsel's opinion and attempt to reallocate a Fund's net capital gains or other taxable income. In the event of a reallocation, some of the dividends identified by a Fund as exempt-interest dividends to holders of shares of its AMPS could be recharacterized as additional capital gains or other taxable income. In the event of such recharacterization, a Fund is not required to make payments to such stockholders to offset the tax effect of such reallocation. In addition, a reallocation could cause a Fund to be liable for income tax and excise tax on any reallocated taxable income. Brown & Wood LLP has advised each Fund that, in its opinion, if the IRS were to challenge in court the Fund's allocations of income and gain, the IRS would be unlikely to prevail. The opinion of Brown & Wood LLP, however, represents only its best legal judgment and is not binding on the IRS or the courts.

The Code requires a RIC to pay a nondeductible 4% excise tax to the extent it does not distribute 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined in general, on an October 31 year-end, plus certain undistributed amounts from previous years. The required distributions, however, are based only on the taxable income of a regulated investment company. The excise tax, therefore, generally does not apply to the tax-exempt income of RICs, such as the Funds, that pay exempt-interest dividends.

The Code subjects interest received on certain otherwise tax-exempt securities to an alternative minimum tax. The alternative minimum tax applies to interest received on "private activity bonds" issued after August 7, 1986. "Private activity bonds" are bonds which, although tax-exempt, are used for purposes other than those generally performed by governmental units and which benefit non-governmental entities (e.g., bonds used for industrial development or housing purposes). Income received on such bonds is classified as an item of "tax preference" which could subject investors in such bonds, including stockholders of the Funds, to an increased alternative minimum tax. Each Fund purchases such "private activity bonds" and reports to stockholders within 60 days after its fiscal year-end the portion of its dividends declared during the year which constitutes an item of tax preference for alternative minimum tax purposes. The Code further provides that corporations are subject to an alternative minimum tax based, in part, on certain differences between taxable income as adjusted for other tax preferences and the corporation's "adjusted current earnings" which more closely reflect a corporation's economic income. Because an exempt-interest dividend paid by a Fund is included in adjusted current earnings, a corporate stockholder may be required to pay an alternative minimum tax on exempt-interest dividends paid by such Fund.

Under certain provisions of the Code, some stockholders may be subject to a 31% withholding tax on certain ordinary income dividends and on capital gain dividends and redemption payments ("backup withholding"). Generally, stockholders subject to backup withholding will be those for whom no taxpayer identification number is on file with a Fund or who, to the Fund's knowledge, have furnished an incorrect number. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such stockholder is not otherwise subject to backup withholding.

Ordinary income dividends paid to stockholders who are nonresident aliens or foreign entities are subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law.

A loss realized on a sale or exchange of shares of a Fund is disallowed if other Fund shares are acquired (whether under the Automatic Dividend Reinvestment Plan or otherwise) within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

The Code provides that every stockholder required to file a tax return must include for information purposes on such return the amount of exempt-interest dividends received from all sources (including the Funds) during the taxable year.

AGREEMENT AND PLAN OF REORGANIZATION

GENERAL

Under the Agreement and Plan of Reorganization (attached hereto as Exhibit I), Insured I will acquire all of the assets, and will assume all of the liabilities, of Insured II, in exchange solely for an equal aggregate value of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be issued by Insured I. Upon receipt by Insured II of such shares, Insured II will distribute the shares of Insured I Common Stock to the holders of Insured II Common Stock, the shares of Insured I Series F AMPS to the holders of Insured II Series A AMPS and the shares of Insured I Series G AMPS to the holders of Insured II Series B AMPS in exchange for their shares in Insured II. Separate Articles Supplementary to the Articles of Incorporation of Insured I establishing the powers, rights and preferences of the Insured I Series F AMPS and the Insured I Series G AMPS will have been filed with the State Department of Assessments and Taxation of Maryland (the "Maryland Department") prior to the closing of the Reorganization. As soon as practicable after the date that the Reorganization takes place (the "Exchange Date"), Insured II will file Articles of Dissolution with the Maryland Department to effect the formal dissolution.

Insured II will distribute the shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS received by it pro rata to its holders of record of Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS, respectively, in exchange for such stockholders' shares in Insured II. Such distribution would be accomplished by opening new accounts on the books of Insured I in the names of the common and preferred stockholders of Insured II and transferring to those stockholder accounts the Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS previously credited on those books to the account of Insured II. Each newly-opened account on the books of Insured I for the previous holders of Insured II Common Stock would represent the respective pro rata number of shares of Insured I Common Stock (rounded down, in the case of fractional shares, to the next largest number of whole shares) due such holder of Insured II Common Stock. No fractional shares of Insured I Common Stock will be issued. In lieu thereof, Insured I's transfer agent, Boston EquiServe, will aggregate all fractional shares of Insured I Common Stock and sell the resulting whole shares on the NYSE for the account of all holders of fractional interests, and each such holder will be entitled to a pro rata share of the proceeds from such sale upon surrender of the Insured II Common Stock certificates. Similarly, each newly-opened account on the books of Insured I for the previous holders of Insured II Series A AMPS would represent the respective pro

rata number of shares of Insured I Series F AMPS due such holder of Insured II Series A AMPS, and each newly-opened account on the books of Insured I for the previous holders of Insured II Series B AMPS would represent the respective pro rata number of shares of Insured I Series G AMPS due such holder of Insured II Series B AMPS. See "Surrender and Exchange of Insured II Stock Certificates" below for a description of the procedures to be followed by Insured II stockholders to obtain their Insured I Common Stock (and cash in lieu of fractional shares, if any), Insured I Series F AMPS or Insured I Series G AMPS, as the case may be.

Accordingly, as a result of the Reorganization, every holder of Insured II Common Stock would own shares of Insured I Common Stock that (except for cash payments received in lieu of fractional shares) would have an aggregate net asset value immediately after the Exchange Date equal to the aggregate net asset value of that stockholder's Insured II Common Stock immediately prior to the Exchange Date. Since the Insured I Common Stock would be issued at net asset value in exchange for the net assets of Insured II having a value equal to the aggregate net asset value of those shares of Insured I Common Stock, the net asset value per share of Insured I Common Stock should remain virtually unchanged by the Reorganization. Similarly, since the Insured I Series F AMPS would be issued at a liquidation preference and value per share equal to the liquidation preference and value per share of the Insured II Series A AMPS, and the Insured I Series G AMPS would be issued at a liquidation preference and value per share equal to the liquidation preference and value per share of the Insured II Series B AMPS, the respective liquidation preference and value per share of the Insured I Series F AMPS and the Insured I Series G AMPS will remain unchanged by the Reorganization. Thus, the Reorganization will result in no dilution of net asset value of the Insured I Common Stock, other than to reflect the costs of the Reorganization, and will result in no dilution of liquidation preference and value of the Insured I Series F AMPS or Insured I Series G AMPS. However, as a result of the Reorganization, a stockholder of either Fund likely will hold a reduced percentage of ownership in the larger combined entity than he or she did in either of the constituent Funds.

PROCEDURE

At meetings of the Boards of Directors of Insured I and Insured II held on June 18, 1996 and May 3, 1996, respectively, the Boards of Directors of Insured I and Insured II, respectively, including all of the Directors who are not "interested persons", as defined in the Investment Company Act, of Insured I and Insured II unanimously approved the Agreement and Plan of Reorganization and the submission of such Agreement and Plan of Reorganization to the Fund's respective stockholders for approval.

Also on June 18, 1996, the Board of Directors of Insured I approved the filing of separate Articles Supplementary to Insured I's Articles of Incorporation establishing the powers, rights and preferences of the Insured I Series F AMPS and the Insured I Series G AMPS in order that they may be given to holders of Insured II Series A AMPS and Insured II Series B AMPS as part of the Reorganization.

As a result of such Board approvals, Insured I and Insured II jointly filed a proxy statement with the Commission soliciting a vote of the stockholders of Insured I and Insured II to approve the Reorganization. The costs of such solicitation are to be paid by Insured I after the Reorganization so as to be borne equally and exclusively on a per share basis by the holders of Insured I Common Stock and Insured II Common Stock. It is anticipated that annual meetings of stockholders of Insured I and Insured II will be held on September 30, 1996. If the stockholders of both Insured I and Insured II approve the Reorganization, the Reorganization will take place as soon as practicable after such approval, provided that the Funds have obtained prior to that time

a favorable private letter ruling from the IRS concerning the tax consequences of the Reorganization as set forth in the Agreement and Plan of Reorganization.

THE BOARDS OF DIRECTORS OF INSURED I AND INSURED II RECOMMEND THAT THE STOCKHOLDERS OF THE RESPECTIVE FUNDS APPROVE THE AGREEMENT AND PLAN OF REORGANIZATION.

TERMS OF THE AGREEMENT AND PLAN OF REORGANIZATION

The following is a summary of the significant terms of the Agreement and Plan of Reorganization. This summary is qualified in its entirety by reference to the Agreement and Plan of Reorganization, attached hereto as Exhibit I.

Valuation of Assets and Liabilities. The respective assets of Insured I and Insured II will be valued on the business day prior to the Exchange Date (the "Valuation Date"). The valuation procedures are the same for both Funds: net asset value per share of the Insured I Common Stock and the Insured II Common Stock will be determined as of 15 minutes after the close of business on the NYSE (generally, 4:00 P.M., New York time) on the Valuation Date. For the purpose of determining the net asset value of a share of the Insured I Common Stock or the Insured II Common Stock, the value of the securities held by the issuing Fund plus any cash or other assets (including interest accrued but not yet received) minus all liabilities (including accrued expenses) and the aggregate liquidation value of the outstanding shares of AMPS of the issuing Fund is divided by the total number of shares of Common Stock of the issuing Fund outstanding at such time. Daily expenses, including the fees payable to FAM, will accrue on the Valuation Date.

The Municipal Bonds in which each Fund invests are traded primarily in the over-the-counter markets. In determining net asset value on the Valuation Date, each Fund will utilize the valuations of portfolio securities furnished by a pricing service approved by the Boards of Directors of the Funds. The pricing service typically values portfolio securities at the bid price or the yield equivalent when quotations are readily available. Municipal Bonds for which quotations are not readily available will be valued at fair market value on a consistent basis as determined by the pricing service using a matrix system to determine valuations. The Boards of Directors of Insured I and Insured II have determined in good faith that the use of a pricing service is a fair method of determining the valuation of portfolio securities. Positions in financial futures contracts will be valued on the Valuation Date at closing prices for such contracts established by the exchange on which they are traded, or if market quotations are not readily available, will be valued at fair value on a consistent basis using methods determined in good faith by the Board of Directors.

Distribution of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS. On the Exchange Date, Insured I will issue to Insured II a number of shares of Insured I Common Stock the aggregate net asset value of which will equal the aggregate net asset value of shares of Insured II Common

Stock on the Valuation Date. Each holder of Insured II Common Stock will receive the number of shares of Insured I Common Stock corresponding to his or her proportionate interest in the aggregate net asset value of the Insured II Common Stock.

On the Exchange Date, Insured I also will issue to Insured II a number of shares of Insured I Series F AMPS the aggregate liquidation preference of which will equal the aggregate liquidation preference of Insured II Series A AMPS on the Valuation Date, as well as a number of shares of Insured I Series G AMPS the aggregate liquidation preference of which will equal the aggregate liquidation preference of Insured II Series B AMPS on the Valuation Date. Each holder of Insured II Series A AMPS or Insured II Series B AMPS, as

the case may be, will receive the number of shares of Insured I Series F AMPS or Insured I Series G AMPS corresponding to his or her proportionate interest in the aggregate liquidation preference and value of the Insured II Series A AMPS or the Insured II Series B AMPS. No sales charge or fee of any kind will be charged to Insured II stockholders in connection with their receipt of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS in the Reorganization. It is anticipated that the Insured I Series F AMPS will follow a similar auction schedule and procedures as those presently followed by the Insured II Series A AMPS, and that the Insured I Series G AMPS will follow a similar auction schedule and procedures as those presently followed by the Insured II Series B AMPS. As a result of the Reorganization, the last dividend period for the Insured II Series A AMPS and Insured II Series B AMPS prior to the Exchange Date may be shorter than the dividend period for such AMPS determined as set forth in the applicable Articles Supplementary.

Expenses. Insured I shall pay, subsequent to the Exchange Date, all expenses incurred in connection with the Reorganization, including, but not limited to, all costs related to the preparation and distribution of materials distributed to each Fund's Board of Directors, expenses incurred in connection with the preparation of the Agreement and Plan of Reorganization, a registration statement on Form N-14 and a private letter ruling request to the IRS, Commission and state securities commission filing fees and legal and audit fees in connection with the Reorganization, costs of printing and distributing this Proxy Statement and Prospectus, legal fees incurred preparing each Fund's board materials, attending each Fund's board meetings and preparing the minutes, accounting fees associated with each Fund's financial statements, stock exchange fees, rating agency fees, portfolio transfer taxes (if any), and any similar expenses incurred in connection with the Reorganization. In this regard, expenses of the Reorganization will be deducted from the assets of the combined fund so as to be borne equally and exclusively on a per share basis by the holders of Insured I Common Stock and Insured II Common Stock. Neither Insured I nor Insured II shall pay any expenses of its respective stockholders arising out of or in connection with the Reorganization.

Required Approvals. Under Insured I's Articles of Incorporation (as amended to date and including Articles Supplementary establishing the powers, rights and preferences of the Insured I AMPS), relevant Maryland law and the rules of the NYSE, stockholder approval of the Agreement and Plan of Reorganization requires the affirmative vote of stockholders representing more than 50% of the outstanding shares of Insured I Common Stock and Insured I AMPS, voting together as a single class, and of the Insured I AMPS, voting separately as a class. Similarly, under Insured II's Articles of Incorporation (as amended to date and including Articles Supplementary establishing the powers, rights and preferences of the Insured II AMPS), relevant Maryland law and the rules of the NYSE, stockholder approval of the Agreement and Plan of Reorganization requires the affirmative vote of stockholders representing more than 50% of the outstanding shares of Insured II Common Stock and Insured II AMPS, voting together as a single class, and of the Insured II AMPS, voting separately as a class.

Deregistration and Dissolution. Following the transfer of the assets and liabilities of Insured II to Insured I and the distribution of shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to Insured I stockholders, Insured II will terminate its registration under the Investment Company Act and its incorporation under Maryland law and will withdraw its authority to do business in any state where it is required to do so.

Amendments and Conditions. The Agreement and Plan of Reorganization may be amended at any time prior to the Exchange Date with respect to any of the terms therein. The obligations of Insured I and

Insured II pursuant to the Agreement and Plan of Reorganization are subject to various conditions, including a registration statement on Form N-14 being declared effective by the Commission, approval of the Reorganization by the stockholders of Insured I and Insured II, a favorable IRS ruling being received as to tax matters, an opinion of counsel as to securities matters being received and the continuing accuracy of various representations and warranties of Insured I and Insured II being confirmed by the respective parties.

Postponement, Termination. Under the Agreement and Plan of Reorganization, the Board of Directors of either Fund may cause the Reorganization to be postponed or abandoned should either Board determine that it is in the best interests of the stockholders of its respective Fund to do so. The Agreement and Plan of Reorganization may be terminated, and the Reorganization abandoned at any time (whether before or after adoption thereof by the stockholders of either Fund), prior to the Exchange Date, or the Exchange Date may be postponed: (i) by mutual consent of the Boards of Directors of Insured I and Insured II; (ii) by the Board of Directors of Insured I if any condition to Insured I's obligations set forth in Section 8 of the Agreement and Plan of Reorganization has not been fulfilled or waived by such Board; or (iii) by the Board of Directors of Insured II if any condition to Insured II's obligations set forth in Section 9 of the Agreement and Plan of Reorganization has not been fulfilled or waived by such Board.

POTENTIAL BENEFITS TO INSURED I COMMON STOCKHOLDERS AND INSURED II COMMON STOCKHOLDERS AS A RESULT OF THE REORGANIZATION

In approving the Reorganization, the Board of Directors of each Fund identified certain benefits that are likely to result from the Reorganization, including lower expenses per share of Common Stock, greater efficiency and flexibility in portfolio management and a more liquid trading market for the shares of Common Stock of the combined fund. With respect to Insured II, following the Reorganization Insured II stockholders will remain invested in a closed-end fund that has investment objectives and policies similar to that of Insured II. The Boards also considered the possible risks and costs of combining the Funds, and examined the relative credit strength, maturity characteristics, mix of type and purpose, and yield of the Funds' portfolios of Municipal Bonds and the costs involved in a transaction such as the Reorganization. The Boards noted the many similarities between the Funds, including their virtually identical investment objectives and investment policies, their common management and their similar portfolios of Municipal Bonds. Based on these factors, the Boards concluded that the Reorganization (i) presents no significant risks that would outweigh the benefits discussed above and (ii) involves minimal costs (including relatively minor legal, accounting and administrative costs).

The surviving fund that would result from the Reorganization would have a larger asset base than either Fund has currently. Based on data presented by FAM, the Board of each Fund believes that administrative expenses for a larger combined fund would be less than the aggregate expenses for the individual Funds, resulting in a lower expense ratio for common stockholders of the combined fund and higher earnings per common share. In particular, certain fixed costs, such as costs of printing stockholder reports and proxy statements, legal expenses, audit fees, mailing costs and other expenses will be spread across a larger asset base, thereby lowering the expense ratio for the combined fund. To illustrate the potential economies of scale, as of April 30, 1996, the total annualized operating expense ratio for Insured I was 0.64%, based on average net assets of approximately $1.0 billion including AMPS, and 0.93%, based on average net assets of approximately $706.5 million excluding AMPS, and the total annualized operating expense ratio for Insured II was 0.67%, based on average net assets of approximately $374.9 million including AMPS, and

0.98%, based on average net assets of approximately $254.9 million excluding AMPS. If the Reorganization had taken place on April 30, 1996, the overall operating expense ratio for the combined fund on a pro forma basis would have been 0.62%, based on average net assets of approximately $1.4 billion including AMPS, and 0.90%, based on average net assets of approximately $961.5 million excluding AMPS.

Management projections estimate that Insured I will have net assets in excess of $1.3 billion upon completion of the Reorganization. A larger asset base should provide benefits in portfolio management. After the Reorganization, Insured I should be able to purchase large amounts of Municipal Bonds at more favorable prices than either of the Funds separately and, with this greater purchasing power, request improvements in the terms of the Municipal Bonds (e.g., added indenture provisions covering call protection, sinking funds and audits for the benefit of large holders) prior to purchase.

Based on the foregoing, the Boards concluded that the Reorganization presents no significant risks or costs (including legal, accounting and administrative costs) that would outweigh the benefits discussed above.

In approving the Reorganization, the Board of Directors of each Fund determined that, with respect to net asset value and liquidation preference, the interests of existing stockholders of the Fund would not be diluted as a result of the Reorganization. Although the Reorganization is expected to result in a reduction in net asset value per share of the combined fund after the Reorganization of approximately $.01 as a result of the estimated costs of the Reorganization, management of each Fund advised its Board that it expects that such costs would be recovered within 12 months after the Exchange Date due to a decrease in the operating expense ratio.

It is not anticipated that the Reorganization directly would benefit the holders of shares of Insured I AMPS or Insured II AMPS; however, the Reorganization will not adversely affect the holders of shares of AMPS of either Fund and the expenses of the Reorganization will not be borne by the holders of shares of AMPS of either Fund.

SURRENDER AND EXCHANGE OF INSURED II STOCK CERTIFICATES

After the Exchange Date, each holder of an outstanding certificate or certificates formerly representing shares of Insured II Common Stock, Insured II Series A AMPS or Insured II Series B AMPS, as the case may be, will be entitled to receive, upon surrender of his or her certificate or certificates, a certificate or certificates representing the number of shares of Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS distributable with respect to such holder's shares of Insured II Common Stock, Insured II Series A AMPS or Insured II Series B AMPS, together with cash in lieu of any fractional shares. Promptly after the Exchange Date, the transfer agent for the Insured I Common Stock, the Insured I Series F AMPS or the Insured I Series G AMPS, as the case may be, will mail to each holder of certificates formerly representing shares of Insured II Common Stock, Insured II Series A AMPS or Insured II Series B AMPS, as the case may be, a letter of transmittal for use in surrendering his or her certificates for certificates representing shares of Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS, as the case may be, and cash in lieu of any fractional shares.

PLEASE DO NOT SEND IN ANY STOCK CERTIFICATES AT THIS TIME. UPON CONSUMMATION OF THE REORGANIZATION, INSURED II COMMON AND PREFERRED STOCKHOLDERS WILL BE FURNISHED WITH INSTRUCTIONS FOR EXCHANGING THEIR INSURED II STOCK CERTIFICATES FOR INSURED I STOCK CERTIFICATES AND, IF APPLICABLE, CASH IN LIEU OF FRACTIONAL SHARES.

From and after the Exchange Date, certificates formerly representing shares of Insured II Common Stock, Insured II Series A AMPS or Insured II Series B AMPS, as the case may be, will be deemed for all purposes to evidence ownership of the number of full shares of Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS distributable with respect to such shares of Insured II in the Reorganization, provided, that until such Insured II stock certificates have been so surrendered, no dividends payable to the holders of record of Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS, as the case may be, as of any date subsequent to the Exchange Date will be paid to the holders of such outstanding Insured II stock certificates. Dividends payable to holders of record of shares of Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS, as the case may be, as of any date after the Exchange Date and prior to the exchange of certificates by any Insured II stockholder will be paid to such stockholder, without interest, at the time such stockholder surrenders his or her Insured II stock certificates for exchange.

From and after the Exchange Date, there will be no transfers on the stock transfer books of Insured II. If, after the Exchange Date, certificates representing shares of Insured II Common Stock, Insured II Series A AMPS or Insured II Series B AMPS are presented to Insured I, they will be cancelled and exchanged for certificates representing Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS, as the case may be, and cash in lieu of fractional shares, if any, distributable with respect to such Insured II Common Stock, Insured II Series A AMPS or Insured II Series B AMPS in the Reorganization.

TAX CONSEQUENCES OF THE REORGANIZATION

General. The Reorganization has been structured with the intention that it qualify for Federal income tax purposes as a tax-free reorganization under Section 368(a)(1)(C) of the Code. Insured I and Insured II each has elected and qualified for the special tax treatment afforded RICs under the Code, and

Insured I intends to continue to so qualify after the Reorganization. Insured I and Insured II have jointly requested a private letter ruling from the IRS that for Federal income tax purposes: (i) the Reorganization, as described, will constitute a reorganization within the meaning of Section 368(a)(1)(C) of the Code, and Insured I and Insured II will each be deemed a "party" to a Reorganization within the meaning of Section 368(b) of the Code; (ii) in accordance with Section 361(a) of the Code, no gain or loss will be recognized to Insured II as a result of the Reorganization or on the distribution of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to Insured II stockholders under Section 361(c)(1) of the Code; (iii) under Section 1032 of the Code, no gain or loss will be recognized to Insured I as a result of the Reorganization; (iv) in accordance with Section 354(a)(1) of the Code, no gain or loss will be recognized to the stockholders of Insured II on the receipt of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS in exchange for their corresponding Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS (except to the extent that Insured II Common Stockholders receive cash representing an interest in fractional shares of Insured I in the Reorganization); (v) in accordance with Section 362(b) of the Code, the tax basis of the Insured II assets in the hands of Insured I will be the same as the tax basis of such assets in the hands of Insured II immediately prior to the consummation of the Reorganization; (vi) in accordance with Section 358 of the Code, immediately after the Reorganization, the tax basis of the Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS received by the stockholders of Insured II in the Reorganization will be equal, in the aggregate, to the tax basis of the Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS surrendered in exchange; (vii) in accordance with Section 1223 of the Code, a stockholder's holding period for the Insured I

Common Stock, Insured I Series F AMPS and Insured I Series G AMPS will be determined by including the period for which such stockholder held the Insured II Common Stock, Insured II Series A AMPS or Insured II Series B AMPS exchanged therefor, provided, that such Insured II shares were held as a capital asset; (viii) in accordance with Section 1223 of the Code, Insured I's holding period with respect to the Insured II assets transferred will include the period for which such assets were held by Insured II; (ix) the payment of cash to Insured II stockholders in lieu of fractional shares of Insured I will be treated as though the fractional shares were distributed as part of the Reorganization and then redeemed, with the result that such Insured II stockholders will have short- or long-term capital gain or loss to the extent that the cash distribution differs from the basis allocable to the Insured I fractional shares; and (x) the taxable year of Insured II will end on the effective date of the Reorganization and pursuant to Section 381(a) of the Code and regulations thereunder, Insured I will succeed to and take into account certain tax attributes of Insured II, such as earnings and profits, capital loss carryovers and method of accounting.

As noted in the discussion under "Comparison of the Funds--Tax Rules Applicable to Insured I, Insured II and Their Stockholders", a Fund must distribute annually at least 90% of its net taxable and tax-exempt income. A distribution only will be counted for this purpose if it qualifies for the dividends paid deduction under the Code. In the opinion of Brown & Wood LLP, the issuance of Insured I Series F AMPS and Insured I Series G AMPS pursuant to the Reorganization in addition to the already existing Insured I Series A AMPS, Series B AMPS, Series C AMPS, Series D AMPS and Series E AMPS will not cause distributions on any series of AMPS to be treated as preferential dividends ineligible for the dividends paid deduction. It is possible that the IRS may assert that, because there are several series of AMPS, distributions on such shares are preferential under the Code and therefore not eligible for the dividends paid deduction. If the IRS successfully disallowed the dividends paid deduction for dividends on the AMPS, Insured I could lose the special tax treatment afforded RICs. In this case, dividends on the shares of AMPS would not be exempt from Federal income tax. Additionally, Insured I would be subject to the alternative minimum tax.

Under Section 381(a) of the Code, Insured I will succeed to and take into account certain tax attributes of Insured II, including, but not limited to, earnings and profits, any net operating loss carryovers, any capital loss carryovers and method of accounting. The Code, however, contains special limitations with regard to the use of net operating losses, capital losses and other similar items in the context of certain reorganizations, including tax-free reorganizations pursuant to Section 368(a)(1)(C) of the Code, which could reduce the benefit of these attributes to Insured I.

Stockholders should consult their tax advisers regarding the effect of the Reorganization in light of their individual circumstances. As the foregoing relates only to Federal income tax consequences, stockholders also should consult their tax advisers as to the foreign, state and local tax consequences of the Reorganization.

Status as a Regulated Investment Company. Both Insured I and Insured II have elected and qualified for taxation as RICs under Sections 851-855 of the Code, and after the Reorganization Insured I intends to continue to so qualify.

CAPITALIZATION

The following table sets forth as of April 30, 1996 (i) the capitalization of Insured I, (ii) the capitalization of Insured II and (iii) the pro forma capitalization of Insured I as adjusted to give effect to the Reorganization.

PRO FORMA CAPITALIZATION OF INSURED I, INSURED II AND THE COMBINED FUND
AS OF APRIL 30, 1996 (UNAUDITED)

<TABLE>
<CAPTION>

	INSURED I	INSURED II	PRO FORMA ADJUSTMENT	COMBINED FUND AS ADJUSTED(A)
<S>	<C>	<C>	<C>	<C>
Net Assets:..........................	$999,007,576	$365,558,557	($15,066,958)	$1,349,499,175
Net Assets Attributable to Common Stock...........................	$679,007,576	$245,558,557	(15,066,958)	$909,499,175
Net Assets Attributable to AMPS.....	$320,000,000	$120,000,000	--	$440,000,000
Shares Outstanding:				
Common Stock........................	45,187,339	16,420,827	--	61,475,341(b)
AMPS				
Series A.........................	2,200	2,400	--	2,200
Series B.........................	2,200	2,400	--	2,200
Series C.........................	2,200	--	--	2,200
Series D.........................	2,200	--	--	2,200
Series E.........................	4,000	--	--	4,000
Series F.........................	--	--	--	2,400(b)
Series G.........................	--	--	--	2,400(b)
Net Asset Value Per Share:				
Common Stock........................	$15.03	$14.95	--	$14.79(c)
AMPS................................	$25,000	$25,000	--	$25,000

</TABLE>

(a) The adjusted balances are presented as if the Reorganization had been consummated on April 30, 1996 and are for informational purposes only. Assumes distributions of undistributed net investment income and accrual of estimated Reorganization expenses of $217,000. No assurance can be given as to how many shares of Insured I Common Stock that Insured II stockholders will receive on the Exchange Date, and the foregoing should not be relied upon to reflect the number of shares of Insured I Common Stock that actually will be received on or after such date.

(b) Assumes the issuance of 16,288,002 shares of Insured I Common Stock and two newly-created series of AMPS each consisting of 2,400 shares in exchange for the net assets of Insured II. The number of shares of Common Stock issued was based on the net asset value of each Fund, net of distributions on April 30, 1996.

(c) Net Asset Value Per Share of Common Stock after Reorganization-related expenses and distribution of undistributed net investment income.

ELECTION OF DIRECTORS

At the Meetings, the Boards of Directors for Insured I and Insured II will be elected to serve until the next Annual Meeting of Stockholders and until their successors are elected and qualified. If the stockholders of both Insured I and Insured II approve the Reorganization, then the Board of Directors of Insured I elected at the Meeting will serve as the Board of combined fund, until its next Annual Meeting of Stockholders. If the

stockholders of either Insured I or Insured II vote against the Reorganization, then the Board of Directors of each Fund elected at the Meetings will continue to serve until the next Annual Meeting of Stockholders of each Fund. It is intended that all properly executed proxies will be voted (unless such authority has been withheld in the proxy) as follows:

With respect to the proxies of Insured I stockholders:

(1) All proxies of the holders of shares of Insured I AMPS, voting separately as a class, will be voted in favor of the two persons designated as Directors to be elected by the holders of shares of Insured I AMPS; and

(2) All proxies of the holders of shares of Insured I Common Stock and Insured I AMPS, voting together as a single class, will be voted in favor of the four persons designated as Directors to be elected by the holders of Insured I Common Stock and Insured I AMPS.

With respect to the proxies of Insured II stockholders:

(1) All proxies of the holders of shares of Insured II AMPS, voting separately as a class, will be voted in favor of the two persons designated as Directors to be elected by the holders of shares of Insured II AMPS; and

(2) All proxies of the holders of shares of Insured II Common Stock and Insured II AMPS, voting together as a single class, will be voted in favor of the four persons designated as Directors to be elected by the holders of shares of Insured II Common Stock and Insured II AMPS.

The Boards of Directors of Insured I and Insured II know of no reason why any of these nominees will be unable to serve, but in the event of any such unavailability, the proxies received will be voted for such substitute nominee or nominees as the Boards of Directors may recommend.

Certain information concerning the nominees for the Board of Directors of Insured I, including their designated classes, is set forth below.

TO BE ELECTED BY HOLDERS OF INSURED I AMPS,
VOTING SEPARATELY AS A CLASS

<TABLE>
<CAPTION>

				SHARES BENEFICIALLY OWNED ON THE RECORD DATE	
NAME AND ADDRESS OF NOMINEE	AGE	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND PUBLIC DIRECTORSHIPS(1)	DIRECTOR SINCE	COMMON STOCK	AMPS
<S>	<C>	<C>	<C>	<C>	<C>
Walter Mintz(1)(2)................ 1114 Avenue of the Americas New York, New York 10036	67	Special Limited Partner of Cumberland Partners (investment partnership) since 1982.	1992	0	0
Melvin R. Seiden(1)(2)........... 780 Third Avenue Suite 2502 New York, New York 10017	65	President of Silbanc Properties, Ltd. (real estate, investments and consulting) since 1987.	1992	0	0

</TABLE>

(See footnotes on page 59)

TO BE ELECTED BY HOLDERS OF INSURED I AMPS AND INSURED I COMMON STOCK,
VOTING TOGETHER AS A SINGLE CLASS

<TABLE>
<CAPTION>

				SHARES BENEFICIALLY OWNED ON THE RECORD DATE	
NAME AND ADDRESS OF NOMINEE	AGE	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND PUBLIC DIRECTORSHIPS(1)	DIRECTOR SINCE	COMMON STOCK	AMPS
<S>	<C>	<C>	<C>	<C>	<C>
Joe Grills(1)(2)................. 183 Soundview Lane New Canaan, Connecticut 06840	61	Member of the Committee of Investment of Employee Benefit Assets of the Financial Executives	1994	0	0

		Institute ("CIEBA") since 1986; member of CIEBA's Executive Committee since 1988 and its Chairman from 1991 to 1992; Assistant Treasurer of International Business Machines Incorporated ("IBM") and Chief Investment Officer of IBM Retirement Funds from 1986 until 1993; Member of the Investment Advisory Committee of the State of New York Common Retirement Fund; Director, Duke Management Company and LaSalle Street Fund.			
Robert S. Salomon, Jr.(1)(2)(3)... 106 Dolphin Cove Quay Stamford, Connecticut 06902	59	Principal of STI Management (investment adviser) since 1995; Chairman and CEO of Salomon Brothers Asset Management Inc from 1992 to 1995; Chairman of Salomon Brothers equity mutual funds from 1992 to 1995; Director of Stock Research and U.S. Equity Strategist at Salomon Brothers Inc from 1975 to 1991; Director, Common Fund and the Norwalk Community Technical College Foundation.	1996	0	0

</TABLE>

(See footnotes on following page)

<TABLE>
<CAPTION>

NAME AND ADDRESS OF NOMINEE	AGE	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND PUBLIC DIRECTORSHIPS(1)	DIRECTOR SINCE	SHARES BENEFICIALLY OWNED ON THE RECORD DATE: COMMON STOCK	AMPS
<S>	<C>	<C>	<C>	<C>	<C>
Stephen B. Swensrud(1)(2)......... 24 Federal Street Suite 400 Boston, Massachusetts 02110	63	Principal of Fernwood Associates (financial consultants) since 1975.	1992	0	0
Arthur Zeikel(1)(4).............. 800 Scudders Mill Road Plainsboro, New Jersey 08536	64	President of FAM (which term as used herein includes its corporate predecessors) since 1977; President of MLAM (which term as used herein includes its corporate predecessors) since 1977; President and Director of Princeton Services, Inc. ("Princeton Services") since 1993; Executive Vice President of ML & Co. since 1990; Director of Merrill Lynch Funds Distributor, Inc. ("MLFD") since 1977.	1992	0	0

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(1) Each of the nominees is a director, trustee or member of an advisory board of certain other investment companies for which FAM or MLAM acts as investment adviser. See "Compensation of Directors" below.

(2) Member of the Audit Committee of the Board of Directors.

(3) On January 17, 1996, Robert S. Salomon, Jr. was elected a Director of the Fund to fill the vacancy created by the retirement of Harry Woolf, who retired as a Director, effective December 31, 1995, pursuant to the Fund's retirement policy.

(4) Interested person, as defined in the Investment Company Act, of the Funds.

Certain information concerning the nominees for the Board of Directors of Insured II, including their designated classes, is set forth below.

TO BE ELECTED BY HOLDERS OF INSURED II AMPS, VOTING SEPARATELY AS A CLASS

<TABLE>
<CAPTION>

NAME AND ADDRESS OF NOMINEE	AGE	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND PUBLIC DIRECTORSHIPS(1)	DIRECTOR SINCE	SHARES BENEFICIALLY OWNED ON THE RECORD DATE: COMMON STOCK	AMPS
<S>	<C>	<C>	<C>	<C>	<C>
Donald Cecil (1)(2).............. Cumberland Associates 1114 Avenue of the Americas New York, New York 10036	69	Special Limited Partner of Cumberland Partners (an investment partnership) since 1982; Member of Institute of Chartered Financial Analysts; Member and Chairman of Westchester County (N.Y.) Board of Transportation.	1992	0	0

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
M. Colyer Crum(1)(2)............. Soldiers Field Road Boston, Massachusetts 02163	64	James R. Williston Professor of Investment Management, Harvard Business School, from 1971 to 1996; Director of Cambridge Bancorp, Copley Properties, Inc. and Sun Life Assurance Company of Canada.	1992	0	0

</TABLE>

(See footnotes on following page)

TO BE ELECTED BY HOLDERS OF INSURED II AMPS AND INSURED II COMMON STOCK, VOTING TOGETHER AS A SINGLE CLASS

<TABLE>
<CAPTION>

NAME AND ADDRESS OF NOMINEE	AGE	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS AND PUBLIC DIRECTORSHIPS(1)	DIRECTOR SINCE	SHARES BENEFICIALLY OWNED ON THE RECORD DATE: COMMON STOCK	AMPS
<S>	<C>	<C>	<C>	<C>	<C>
Edward H. Meyer(1)(2)............ Grey Advertising Inc. 777 Third Avenue New York, New York 10017	69	President of Grey Advertising Inc. since 1968, Chief Executive Officer since 1970 and Chairman of the Board of Directors since 1972; Director of The May Department Stores Company, Bowne & Co., Inc. (financial printers), Ethan Allen Interiors, Inc. and Harman	1992	0	0

		International Industries, Inc.			
Jack B. Sunderland(1)(2).......... P.O. Box 7 West Cornwall, Connecticut 06796	67	President and Director of American Independent Oil Company, Inc. (an energy company) since 1987; Member of Council on Foreign Relations since 1971.	1992	0	0
J. Thomas Touchton(1)(2).......... Suite 3405 One Tampa City Center 201 North Franklin Street Tampa, Florida 33602	57	Managing Partner of The Witt-Touchton Company and its predecessor, The Witt Co. (a private investment partnership) since 1972; Trustee Emeritus of Washington and Lee University; Director of TECO Energy Inc. (an electric utility holding company).	1992	0	0
Arthur Zeikel(1)(3)............... 800 Scudders Mill Road Plainsboro, New Jersey 08536	64	President of FAM since 1977; President of MLAM since 1977; President and Director of Princeton Services since 1993; Executive Vice President of ML & Co. since 1990; Director of MLFD since 1977.	1992	5,000	0

</TABLE>

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(1) Each of the nominees is a director, trustee or member of an advisory board of certain other investment companies for which FAM or MLAM acts as investment adviser. See "Compensation of Directors" below.

(2) Member of the Audit Committee of the Board of Directors.

(3) Interested person, as defined in the Investment Company Act, of the Funds.

COMMITTEE AND BOARD MEETINGS

The Board of Directors of each Fund has a standing Audit Committee, which consists of the Directors who are not "interested persons", as defined in the Investment Company Act, of the Fund. The principal purpose of the Audit Committee is to review the scope of the annual audit conducted by each Fund's independent auditors and the evaluation by such auditors of the accounting procedures followed by the Fund. The non-interested Directors have retained independent legal counsel to assist them in connection with these duties. Neither Board of Directors has a nominating committee. During the fiscal year ended October 31, 1995, the Boards of Directors and the Audit Committees of Insured I and Insured II each held four quarterly meetings. All of the Directors of each Fund then in office attended at least 75% of the total number of meetings of the Board of Directors and the total number of meetings held by all of the committees of the Board on which they served during such period.

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), requires each Fund's officers, Directors and persons who own more than ten percent of a registered class of the Fund's equity securities, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Commission and the NYSE. Officers, Directors and greater than ten percent stockholders are required by Commission regulations to furnish the Fund with copies of all Forms 3, 4 and 5 that they file.

Based solely on each Fund's review of the copies of such forms, and amendments thereto, furnished to it during or with respect to its most recent fiscal year, and written representations from certain reporting persons that they were not required to file Forms 5 with respect to the most recent fiscal year, each Fund believes that all of its officers, Directors, greater than ten percent beneficial owners and other persons subject to Section 16 of the Securities Exchange Act because of the requirements of Section 30 of the Investment Company Act (i.e., any advisory board member, investment adviser or affiliated person of the Fund's investment adviser), have complied with all filing requirements applicable to them with respect to transactions during the Fund's most recent fiscal year.

INTERESTED PERSONS

Each Fund considers Mr. Zeikel to be an "interested person" of the Fund within the meaning of Section 2(a)(19) of the Investment Company Act as a result of the positions he holds with FAM and its affiliates. Mr. Zeikel is the President of each Fund, the President of FAM and the President of MLAM.

COMPENSATION OF DIRECTORS

FAM, the investment adviser for Insured I and Insured II, pays all compensation of all officers of each Fund and all Directors of each Fund who are affiliated with ML & Co. or its subsidiaries. Insured I pays each Director who is not affiliated with FAM a fee of $4,000 per year plus $1,000 per regular meeting attended, together with such Director's actual out-of-pocket expenses relating to attendance at meetings. The Fund also pays each member of its Audit Committee, which consists of all of the non-affiliated Directors, a fee of $4,000 per year plus $750 per meeting attended, together with such Director's out-of-pocket expenses relating to attendance at meetings. These fees and expenses for the fiscal year ended October 31, 1995 aggregated $77,751 for Insured I.

Insured II pays each Director who is not affiliated with FAM a fee of $2,500 per year plus $250 per regular meeting attended, together with such Director's actual out-of-pocket expenses relating to attendance at meetings. The Fund also pays each member of its Audit Committee, which consists of all of the non-affiliated Directors, a fee of $500 per year plus $125 per meeting attended, together with such Director's out-of-pocket expenses relating to attendance at meetings. These fees and expenses for the fiscal year ended October 31, 1995 aggregated $22,606 for Insured II.

The following table sets forth, for the fiscal year ended October 31, 1995, compensation paid by Insured I to the non-affiliated Directors, and for the calendar year ended December 31, 1995, the aggregate compensation paid by all registered investment companies advised by FAM and its affiliate, MLAM ("FAM/MLAM Advised Funds"), to the non-affiliated Directors.

<TABLE>
<CAPTION>

NAME OF DIRECTOR	COMPENSATION FROM THE FUND	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES	AGGREGATE COMPENSATION FROM THE FUND AND FAM/MLAM ADVISED FUNDS PAID TO DIRECTORS
<S>	<C>	<C>	<C>
Joe Grills(1)..............................	$ 15,500	None	$ 153,883
Walter Mintz(1)............................	$ 15,500	None	$ 153,883
Robert S. Salomon, Jr.(1)(2)...............	None	None	None
Melvin R. Seiden(1)........................	$ 15,500	None	$ 153,883
Stephen B. Swensrud(1).....................	$ 15,500	None	$ 161,883
Harry Woolf(1)(2)..........................	$ 15,500	None	$ 153,883

</TABLE>

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(1) The Directors serve on the boards of MLAM/FAM Advised Funds as follows: Mr. Grills (18 registered investment companies consisting of 38 portfolios); Mr. Mintz (18 registered investment companies consisting of 38 portfolios); Mr. Seiden (18 registered investment companies consisting of 38 portfolios); Mr. Salomon (18 registered investment companies consisting of 38 portfolios); Mr. Swensrud (20 registered investment companies consisting of 49 portfolios); and Mr. Woolf prior to his retirement (18 registered investment companies consisting of 38 portfolios).

(2) Mr. Salomon was elected a Director of Insured I on January 17, 1996 to fill the vacancy created by the retirement of Mr. Woolf who retired as a Director, effective December 31, 1995, pursuant to the Fund's retirement policy.

The following table sets forth, for the fiscal year ended October 31, 1995, compensation paid by Insured II to the non-affiliated Directors and, for the calendar year ended December 31, 1995, the aggregate compensation paid by all FAM/MLAM Advised Funds to the non-affiliated Directors.

<TABLE>
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AGGREGATE COMPENSATION

NAME OF DIRECTOR	COMPENSATION FROM THE FUND	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES	FROM THE FUND AND FAM/MLAM ADVISED FUNDS PAID TO DIRECTORS
<S>	<C>	<C>	<C>
Donald Cecil(1)............................	$4,500	None	$ 271,850
M. Colyer Crum(1)..........................	$4,500	None	$ 126,600
Edward H. Meyer(1).........................	$4,500	None	$ 239,225
Jack B. Sunderland(1)......................	$4,500	None	$ 134,600
J. Thomas Touchton(1)......................	$4,500	None	$ 134,600

</TABLE>

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(1) The Directors serve on the boards of MLAM/FAM Advised Funds as follows: Mr. Cecil (36 registered investment companies consisting of 36 portfolios); Mr. Crum (18 registered investment companies consisting of 18 portfolios); Mr. Meyer (36 registered investment companies consisting of 36 portfolios); Mr. Sunderland (20 registered investment companies consisting of 29 portfolios); and Mr. Touchton (20 registered investment companies consisting of 29 portfolios).

OFFICERS OF THE FUNDS

The Boards of Directors of Insured I and Insured II have elected the following officers of each of the Funds. The principal business address of each officer is 800 Scudders Mill Road, Plainsboro, New Jersey 08536. The following sets forth information concerning each of these officers:

<TABLE>
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NAME AND PRINCIPAL OCCUPATION	OFFICE	AGE	OFFICER SINCE
<S>	<C>	<C>	<C>
Arthur Zeikel.. President of FAM since 1977; President of MLAM since 1977; President and Director of Princeton Services since 1993; Executive Vice President of ML & Co. since 1990; Director of MLFD since 1977.	President	64	1992
Terry K. Glenn... Executive Vice President of FAM and of MLAM since 1983; Executive Vice President and Director of Princeton Services since 1993; President of MLFD since 1986 and Director thereof since 1991; President of Princeton Administrators, L.P. since 1988.	Executive Vice President	55	1992
Vincent R. Giordano.. Senior Vice President of FAM and of MLAM since 1984; Senior Vice President of Princeton Services since 1993.	Senior Vice President	51	1992
Kenneth A. Jacob... Vice President of FAM and of MLAM since 1984; employed by MLAM since 1978.	Vice President	45	1992
Donald C. Burke.. Vice President and Director of Taxation of MLAM since 1990; Employee at Deloitte & Touche LLP from 1982 to 1990.	Vice President	36	1993
William R. Bock.. Vice President of MLAM since 1989.	Portfolio Manager	59	1992
Gerald M. Richard.. Senior Vice President and Treasurer of FAM and of MLAM since 1984; Senior Vice President and Treasurer of Princeton Services since 1993; Treasurer of MLFD since 1981 and Vice President thereof since 1984.	Treasurer	47	1992
Mark B. Goldfus.. Vice President of FAM and of MLAM since 1985.	Secretary	49	1992

</TABLE>

SELECTION OF INDEPENDENT AUDITORS

The Board of Directors of Insured I, including a majority of the Directors who are not "interested persons", as defined in the Investment Company Act, of the Fund, has selected the firm of Deloitte & Touche LLP as independent auditors, to audit the financial statements of Insured I for the current fiscal year ending October 31, 1996. However, in the event that the Reorganization is approved by the requisite number of stockholders of each Fund and the Reorganization takes place prior to October 31, 1996, the Board of

Directors of Insured I, including a majority of the Directors who are not "interested persons" of the Fund, have selected the firm of Ernst & Young LLP as independent auditors, to audit the financial statements of the combined fund for the fiscal year ending October 31, 1996.

The Board of Directors of Insured II, including a majority of the Directors who are not "interested persons" of the Fund, has selected the firm of Ernst & Young LLP as independent auditors, to audit the financial statements of the Fund for the current fiscal year ending October 31, 1996.

The Funds know of no direct or indirect financial interest of such firms in the Funds. Such appointment is subject to ratification or rejection by the stockholders of the Funds. If the stockholders of both Insured I and Insured II approve the Reorganization, then the independent auditors selected at the Meetings for Insured I will serve as the independent auditors of the combined fund until its next Annual Meeting of Stockholders. If the stockholders of either Insured I or Insured II vote against the Reorganization, then the independent auditors of each Fund selected at the Meetings will continue to serve until the next Annual Meeting of Stockholders of each Fund. Unless a contrary specification is made, the accompanying proxy will be voted in favor of ratification of the selection of such auditors.

Deloitte & Touche LLP also acts as independent auditors for ML & Co. and all of its subsidiaries and for most other investment companies for which FAM or MLAM acts as investment adviser. The fees received by Deloitte & Touche LLP from these other entities are substantially greater, in the aggregate, than the total fees received by it from Insured I. The Board of Directors of Insured I considered the fact that Deloitte & Touche LLP has been retained as the independent auditors of ML & Co. and the other entities described above in its evaluation of the independence of Deloitte & Touche LLP with respect to Insured I.

Ernst & Young LLP also acts as independent auditors for several other investment companies for which FAM or MLAM acts as investment adviser. The fees received by Ernst & Young LLP from these other entities are substantially greater, in the aggregate, than the total fees received by it from Insured II. The Board of Directors of each of Insured I and Insured II considered the fact that Ernst & Young LLP has been retained as the independent auditors of the other entities described above in its evaluation of the independence of Ernst & Young LLP with respect to Insured I or Insured II, as applicable.

Representatives of Deloitte & Touche LLP or Ernst & Young LLP, as applicable, are expected to be present at the Meetings and will have the opportunity to make a statement if they so desire and to respond to questions from stockholders.

INFORMATION CONCERNING THE ANNUAL MEETINGS

DATE, TIME AND PLACE OF MEETINGS

The Meetings will be held on September 30, 1996 at the offices of MLAM, 800 Scudders Mill Road, Plainsboro, New Jersey at 10:45 A.M., New York time (for Insured I) and 11:00 A.M., New York time (for Insured II).

SOLICITATION, REVOCATION AND USE OF PROXIES

A stockholder executing and returning a proxy has the power to revoke it at any time prior to its exercise by executing a superseding proxy or by submitting a notice of revocation to the Secretary of Insured I or

Insured II, as the case may be. Although mere attendance at the Meetings will not revoke a proxy, a stockholder present at the Meetings may withdraw his proxy and vote in person.

All shares represented by properly executed proxies, unless such proxies previously have been revoked, will be voted at the Meetings in accordance with the directions on the proxies; if no direction is indicated, the shares will be voted "FOR" (i) the approval of the Agreement and Plan of Reorganization, (ii) the election of Directors and (iii) the ratification of the selection of Deloitte & Touche LLP or Ernst & Young LLP, as applicable, as independent accountants.

It is not anticipated that any matters other than (i) the adoption of the Agreement and Plan of Reorganization, (ii) the election of Directors and (iii) the ratification of the selection of Deloitte & Touche LLP or Ernst & Young LLP, as applicable, will be brought before the Meetings. If, however, any other business properly is brought before the Meetings, proxies will be voted in accordance with the judgment of the persons designated on such proxies.

RECORD DATE AND OUTSTANDING SHARES

Only holders of record of shares of Insured I Common Stock, Insured I AMPS, Insured II Common Stock and Insured II AMPS at the close of business on the Record Date are entitled to vote at the Meetings or any adjournment thereof. At the close of business on the Record Date, there were 45,187,339 shares of Insured I Common Stock, 12,800 shares of Insured I AMPS, 16,420,827 shares of Insured II Common Stock and 4,800 shares of Insured II AMPS issued and outstanding and entitled to vote.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF INSURED I AND INSURED II

To the knowledge of Insured I and Insured II, at the date hereof, no person or entity owns beneficially 5% or more of the shares of any of the Insured I Common Stock, the Insured I AMPS, the Insured II Common Stock or the Insured II AMPS.

On the Record Date, the Directors and officers of Insured I as a group (12 persons) owned an aggregate of less than 1% of the outstanding shares of Insured I Common Stock and Insured I AMPS.

On the Record Date, the Directors and officers of Insured II as a group (12 persons) owned an aggregate of less than 1% of the outstanding shares of Insured II Common Stock and Insured II AMPS.

On the Record Date, Mr. Zeikel, a Director and officer of each of the Funds, and the other Directors and officers of each Fund owned an aggregate of less than 1% of the outstanding shares of Common Stock of ML & Co.

VOTING RIGHTS AND REQUIRED VOTE

For purposes of this Proxy Statement and Prospectus, each share of Insured I Common Stock, Insured I AMPS, Insured II Common Stock and Insured II AMPS is entitled to one vote. Approval of the Agreement and Plan of Reorganization requires the affirmative vote of stockholders representing a majority of the outstanding shares of Insured I Common Stock and Insured I AMPS, voting together as a single class, and of the Insured I AMPS, voting separately as a class, as well as the affirmative vote of stockholders representing a majority of the outstanding shares of Insured II Common Stock and Insured II AMPS, voting together as a single class, and of the Insured II AMPS, voting separately as a class.

Under Maryland law, stockholders of a registered investment company whose shares are traded publicly on a national securities exchange, such as Insured II, are not entitled to demand the fair value of their shares upon a transfer of assets; therefore, the Insured II Common Stockholders will be bound by the terms of the Reorganization, if approved at the Meetings. However, any Common Stockholder of Insured II may sell his or her shares of Common Stock at any time on the NYSE. Conversely, since the Insured II AMPS are not traded publicly on a national securities exchange, shareholders of Insured II AMPS will be entitled to appraisal rights upon the consummation of the Reorganization. As stockholders of the corporation acquiring the assets of Insured II, neither holders of Insured I Common Stock nor holders of Insured I AMPS are entitled to appraisal rights under Maryland law.

Under Maryland law, a holder of Insured II AMPS desiring to receive payment of the fair value of his or her stock (an "objecting stockholder") (i) must file with Insured II a written objection to the Reorganization at or before the Meeting, (ii) must not vote in favor of the Reorganization and (iii) must make written demand on Insured I for payment of his or her stock, stating the number and class of shares for which he or she demands payment, within 20 days after the Maryland Department of Assessments and Taxation accepts for filing the Articles of Transfer with respect to the Reorganization (Insured I is required promptly to give written notice to all objecting stockholders of the date that the Articles of Transfer are accepted for record). An objecting stockholder who fails to adhere to this procedure will be bound by the terms of the Reorganization. An objecting stockholder ceases to have any rights of a stockholder except the right to receive fair value for his or her shares and has no right to receive any dividends or distributions payable to such holders on a record date after the close of business on the date on which fair value is to be determined, which, for these purposes, will be the date of the Meeting. A demand for payment of fair market value may not be withdrawn, except upon the consent of Insured I. Within 50 days after the Articles of Transfer have been accepted for filing, an objecting stockholder who has not received payment for his or her shares may petition a court located in Baltimore, Maryland for an appraisal to determine the fair market value of his or her stock.

For purposes of each Meeting, a quorum consists of a majority of the shares entitled to vote at the Meeting, present in person or by proxy. If, by the time scheduled for each Meeting, a quorum of the applicable Fund's stockholders is not present or if a quorum is present but sufficient votes in favor of the Agreement and Plan of Reorganization are not received from the stockholders of the applicable Fund, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies from stockholders. Any such adjournment will require the affirmative vote of a majority of the shares of the applicable Fund present in person or by proxy and entitled to vote at the session of the Meeting to be adjourned. The persons named as proxies will vote in favor of any such adjournment if they determine that adjournment and additional solicitation are reasonable and in the interests of the applicable Fund's stockholders.

With respect to the election of Directors, holders of shares of Insured I AMPS are entitled to elect two Directors of Insured I and holders of shares of Insured I Common Stock and Insured I AMPS, voting together as a single class, are entitled to elect the remaining Directors of Insured I; similarly, holders of shares of Insured II AMPS are entitled to elect two Directors of Insured II and holders of shares of Insured II Common Stock and Insured II AMPS, voting together as a single class, are entitled to elect the remaining Directors of Insured II. Assuming a quorum is present, (x) election of the two Directors of Insured I or Insured II, as the case may be, to be elected by the holders of shares of Insured I AMPS or Insured II AMPS, respectively, voting separately as a class, will require the affirmative vote of a majority of the votes cast by the

holders of that Fund's AMPS, represented at the Meetings and entitled to vote; and (y) election of the remaining Directors of Insured I or Insured II, as the case may be, will require the affirmative vote of a majority of the votes cast by the holders of their respective Common Stock and AMPS, represented at the Meetings and entitled to vote, voting together as a single class.

Approval of the ratification of the selection of Deloitte & Touche LLP as the independent auditors of Insured I (or, in the event that the Reorganization is approved by the requisite number of stockholders of each Fund and the Reorganization takes place prior to October 31, 1996, approval of Ernst & Young LLP as the independent auditors of the combined fund) will require the affirmative vote of a majority of the votes cast by the holders of Insured I Common Stock and Insured I AMPS represented at the Meetings and entitled to vote, voting together as a single class; similarly, approval of the ratification of the selection of Ernst & Young LLP as the independent auditors of Insured II will require the affirmative vote of a majority of the votes cast by the holders of Insured II Common Stock and Insured II AMPS represented at the Meetings and entitled to vote, voting together as a single class.

ADDITIONAL INFORMATION

The expenses of preparation, printing and mailing of the enclosed form of proxy, the accompanying Notice and this Proxy Statement and Prospectus will be borne by Insured I, the surviving fund after the Reorganization, so as to be borne equally and exclusively on a per share basis by the holders of Insured I Common Stock and Insured II Common Stock.

Insured I and Insured II likewise will reimburse banks, brokers and others for their reasonable expenses in forwarding proxy solicitation materials to the beneficial owners of shares of Insured I and Insured II and certain persons that Insured I or Insured II may employ for their reasonable expenses in assisting in the solicitation of proxies from such beneficial owners of shares of capital stock of Insured I or Insured II.

In order to obtain the necessary quorum at the Meetings (i.e., a majority of the shares of each class of each Fund's securities entitled to vote at the Meetings, present in person or by proxy), supplementary solicitation may be made by mail, telephone, telegraph or personal interview by officers of the Fund. The Funds also may hire proxy solicitors at the expense of Insured I. It is anticipated that the cost of such supplementary solicitation, if any, will be nominal.

Broker-dealer firms, including Merrill Lynch, holding Fund shares in "street name" for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their shares on each proposal before the Meetings. The Funds understand that, under the rules of the NYSE, such broker-dealer firms may, without instructions from their customers and clients, grant authority to the proxies designated to vote on the election of a Board of Directors of each Fund to serve for the ensuing year (proposal 2) and the ratification of the selection of Deloitte & Touche LLP or Ernst & Young LLP, as applicable, as independent auditors for each Fund for the current fiscal year (proposals 3 and 4) if no instructions have been received prior to the date specified in the broker-dealer firm's request for voting instructions. Broker-dealer firms, including Merrill Lynch, will not be permitted to grant voting authority without instructions with respect to the approval of the Agreement and Plan of Reorganization (proposal 1). The Funds will include shares held of record by broker-dealers as to which such authority has been granted in its tabulation of the total number of shares present for purposes of determining whether the necessary quorum of shareholders of each Fund exists. Proxies which are returned to a Fund but which are marked "abstain" or

on which a broker-dealer has declined to vote on any proposal ("broker non-votes") will be counted as present for the purposes of determining a quorum. Merrill Lynch has advised the Funds that it intends to exercise discretion over shares held in its name for which no instructions have been received by voting such shares on proposals 2, 3 and 4 (in the case of Insured I) in the same proportion as it has voted such shares for which it has received instructions. However, abstentions and broker non-votes will not be counted as votes cast. Abstentions and broker non-votes will not have an effect on the vote on proposals 2, 3 and 4 (in the case of Insured I); however, abstentions and broker non-votes will have the same effect as a vote against proposal 1.

This Proxy Statement and Prospectus does not contain all of the information set forth in the registration statement and the exhibits relating thereto which Insured I has filed with the Commission under the Securities Act and the Investment Company Act, to which reference is hereby made.

Insured I and Insured II both are subject to the informational requirements of the Securities Exchange Act, and in accordance therewith file reports and other information with the Commission. Reports, proxy statements, registration statements and other information filed by Insured I and Insured II can be inspected and copied at the public reference facilities of the Commission in Washington, D.C. and at the New York Regional Office of the Commission at Seven World Trade Center, New York, New York 10048. Copies of such materials also can be obtained by mail from the Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549, at prescribed rates.

CUSTODIAN

State Street Bank and Trust Company acts as the custodian for cash and securities of Insured I and Insured II. The principal business address of State Street Bank and Trust Company in such capacity is One Heritage Drive, P2N, North Quincy, Massachusetts 02171.

TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND REGISTRAR

Boston EquiServe serves as the transfer agent, dividend disbursing agent and registrar with respect to the Insured I Common Stock and the Insured II Common Stock, at the same rate for each Fund, pursuant to separate registrar, transfer agency and service agreements with each of the Funds. The principal business address of Boston EquiServe in such capacity is 150 Royall Street, Canton, Massachusetts 02021.

IBJ Schroder Bank and Trust Company serves as the transfer agent, registrar and auction agent to Insured I and Insured II, in connection with their respective AMPS, at the same rate for each Fund, pursuant to separate registrar, transfer agency and service agreements with each of the Funds. The principal business address of IBJ Schroder Bank and Trust Company is One State Street, New York, New York 10004.

LEGAL PROCEEDINGS

On June 21, 1996, a purported class action titled Jack Green, et al. v. Fund Asset Management, L.P., et al. was filed in the United States District Court for the District of Massachusetts. Among the named defendants in the action are seven of the leveraged closed-end municipal bond funds for which FAM serves as the investment adviser (including Insured I and Insured II). In addition to the named defendants, plaintiffs also

purport to bring claims against a defendant class consisting of all other publicly traded, closed-end investment companies for which FAM serves as investment adviser and which, among other things, have issued AMPS. The named plaintiffs, who claim to be investors in the seven named funds, purport to bring the action on behalf of a class consisting of all holders of the common stock of the subject funds.

Plaintiffs allege that FAM and other affiliated defendants received excessive compensation for managing the subject funds. Plaintiffs claim, among other things, that the registration statements, annual reports and other documents filed by the funds with the Commission were misleading because such documents allegedly failed to disclose that proceeds arising from the issuance of AMPS would be included in a fund's net assets for the purposes of calculating the investment advisory fee payable to FAM. In addition, plaintiffs allege that a conflict of interest existed because it would always be in the defendants' interest to keep the funds fully leveraged to maximize the advisory fees and collateral compensation notwithstanding adverse market conditions. Plaintiffs also allege an additional conflict of interest arising from the receipt by such affiliates of underwriting discounts, or other revenues in connection with the sale of the AMPS by the funds. The complaint asserts claims under Sections 8(e), 34(b), 36(a) and 36(b) of the Investment Company Act and the common law. Plaintiffs seek unspecified monetary damages as well as injunctive relief.

The defendants believe that the plaintiffs' allegations are entirely without merit and intend to defend the action vigorously. FAM has agreed to indemnify the named defendant funds for any liabilities or expenses that they may occur in connection with this litigation.

LEGAL OPINIONS

Certain legal matters in connection with the Reorganization will be passed upon for Insured I and Insured II by Brown & Wood LLP, New York, New York. Brown & Wood LLP will rely as to matters of Maryland law on the opinion of Wilmer, Cutler & Pickering, Baltimore, Maryland.

EXPERTS

The financial statements as of October 31, 1995 of Insured I included in this Proxy Statement and Prospectus have been so included in reliance on the reports of Deloitte & Touche LLP, independent auditors, given on their authority as experts in auditing and accounting. The principal business address of Deloitte & Touche LLP is 117 Campus Drive, Princeton, New Jersey 08540.

The financial statements as of October 31, 1995 of Insured II included in this Proxy Statement and Prospectus have been so included in reliance on the reports of Ernst & Young LLP, independent auditors, given on their authority as experts in auditing and accounting. The principal business address of Ernst & Young LLP is 202 Carnegie Center, Princeton, New Jersey 08543.

STOCKHOLDER PROPOSALS

If a stockholder of either Fund intends to present a proposal at the 1997 Annual Meeting of Stockholders of either Fund, both of which are anticipated to be held in September, 1997, and desires to have the proposal included in the Fund's proxy statement and form of proxy for that meeting, the stockholder must deliver the proposal to the offices of the Fund by April 23, 1997.

By Order of the Boards of Directors
MARK B. GOLDFUS
Secretary of each of the Funds

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AUDITED FINANCIAL STATEMENTS FOR INSURED I
FOR THE FISCAL YEAR ENDED OCTOBER 31, 1995

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of
MuniYield Insured Fund, Inc.:

We have audited the accompanying statement of assets, liabilities and capital, including the schedule of investments, of MuniYield Insured Fund, Inc. as of October 31, 1995, the related statements of operations for the year then ended and changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the three-year period then ended and the period March 27, 1992 (commencement of operations) to October 31, 1992. These financial statements and the financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at October 31, 1995 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of MuniYield Insured Fund, Inc. as of October 31, 1995, the results of its operations, the changes in its net assets, and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

Deloitte & Touche LLP
Princeton, New Jersey
December 8, 1995

<TABLE>
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SCHEDULE OF INVESTMENTS (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Alabama--0.4%	AAA	Aaa	$ 3,500	Huntsville, Alabama, Health Care Authority, Facilities Revenue Bonds, Series B, 6.625% due 6/01/2023 (d)	$ 3,749
Alaska--0.5%	AAA	Aaa	5,000	Alaska State Housing Finance Corporation, Series A, 5.875% due 12/01/2024 (d)	4,894
Arizona--0.6%				Arizona Educational Loan Marketing Corporation, Educational Loan Revenue Bonds, VRDN, AMT, Series A (a):	
	AAA	VMIG1++	600	4.05% due 3/01/2015 (d)	600
	NR*	MIG1++	200	4.05% due 12/01/2020	200
	A1+	VMIG1++	1,900	Maricopa County, Arizona, IDA, Hospital Facility Revenue Bonds (Samaritan Health Service Hospital), VRDN, Series B-2, 4% due 12/01/2008 (a)(d)	1,900
	NR*	NR*	3,500	Mohave County, Arizona, IDA, IDR (North Star Steel Co. Project), AMT, 6.70% due 3/01/2020	3,744
Arkansas --0.2%	NR*	P1	600	Crosset, Arkansas, PCR (Georgia Pacific Corp. Project), VRDN, 3.90% due 10/01/2007 (a)	600
	AAA	Aaa	1,500	North Little Rock, Arkansas, Electric Revenue Refunding Bonds, Series A, 6.50% due 7/01/2010 (d)	1,695
California --14.0%	AAA	Aaa	7,500	Anaheim, California, Public Financing Authority Revenue Bonds (Electric Utility--San Juan 4), 2nd Series, 5.75% due 10/01/2022 (c)	7,369
				California HFA, Revenue Bonds, AMT:	
	AA-	Aa	3,950	RIB, 8.777% due 8/01/2023 (i)	4,118
	AAA	Aaa	1,595	Series E, 7% due 8/01/2026 (d)	1,675
	AAA	Aaa	7,000	California State GO, 5.90% due 4/01/2023 (c)	7,010
				California State Public Works Board Lease Revenue Bonds:	
	A-	A	8,500	(Department of Corrections--Monterey County), Series A, 7% due 11/01/2019	9,246
	AAA	Aaa	3,000	(Various University of California Projects), Series A, 6.40% due 12/01/2016 (b)	3,171
	A-	A	2,750	(Various University of California Projects), Series A, 6.375% due 10/01/2019	2,803
	A-	A1	4,000	(Various University of California Projects), Series B, 6.625% due 12/01/2019	4,223
				California State, RAW, Series C:	
	SP-1	MIG1++	4,615	5.75% due 4/25/1996	4,658
	AAA	Aaa	5,000	5.75% due 4/25/1996 (c)	5,041
	AAA	Aaa	2,000	Cerritos, California, Public Financing Authority Revenue Bonds (Los Coyotes Redevelopment Project Loan), Series A, 5.75% due 11/01/2022 (b)	1,978
	AAA	Aaa	5,000	Contra Costa, California, Water District, Water Revenue Bonds, Series D, 6.375% due 10/01/2022 (b)	5,244
				Los Angeles, California, Harbor Department Revenue Bonds, AMT, Series B (b):	
	AAA	Aaa	3,000	6.625% due 8/01/2019	3,197
	AAA	Aaa	8,725	6.625% due 8/01/2025	9,268
	AAA	Aaa	5,000	Los Angeles County, California, Metropolitan Transportation Authority, Sales Tax Revenue Bonds, Senior Series B, Proposition C, 5.25% due 7/01/2023 (b)	4,675
	AAA	Aaa	5,000	Los Angeles County, California, Transportation Commission, Sales Tax Revenue Refunding Bonds, Series B, 6.50% due 7/01/2015 (c)	5,290
	AAA	Aaa	8,210	M-S-R Public Power Agency, California, Revenue Bonds (San Juan Project), Series E, 6.75% due 7/01/2011 (d)	8,971
	AAA	Aaa	2,190	Northern California Transmission Revenue Bonds (California--Oregon Transmission Project), Series A, 6.50% due 5/01/2016 (d)	2,336

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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
California (concluded)	AAA	Aaa	$ 3,000	Orange County, California, Financing Authority, Tax Allocation Revenue Refunding Bonds, Series A, 6.25% due 9/01/2014 (d)	$ 3,109
	AAA	Aaa	3,000	Redwood City, California, Public Financing Authority, Local Agency Revenue Refunding Bonds, Series A, 6.50% due 7/15/2011 (b)	3,229

	AAA	Aaa	5,000	Sacramento, California, City Financing Authority, Lease Revenue Refunding Bonds, Series A, 5.40% due 11/01/2020 (b)	4,840
	AAA	Aaa	6,000	San Francisco, California, City and County Airports, Revenue Bonds (Commerce International Airport), AMT, Second Series, Issue 6, 6.60% due 5/01/2024 (b)	6,422
				San Francisco, California, City and County Sewer Revenue Bonds (c):	
	AAA	Aaa	3,000	Refunding, 5.375% due 10/01/2022	2,866
	AAA	Aaa	10,000	Series A, 5.95% due 10/01/2025	10,104
	AAA	Aaa	5,375	San Mateo County, California, Joint Powers Financing Authority, Lease Revenue Bonds (San Mateo County Health Care Center), Series A, 5.75% due 7/15/2022 (e)	5,288
	AAA	Aaa	3,000	Santa Rosa, California, Wastewater Revenue Refunding Bonds, Series A, 5.25% due 9/01/2016 (c)	2,886
	AAA	Aaa	5,000	University of California Revenue Bonds (Multiple Purpose Projects), Series D, 6.375% due 9/01/2024 (d)	5,238
				West Covina, California, COP, GO (Queen of the Valley Hospital):	
	A	A	5,410	6.50% due 8/15/2014	5,536
	A	A	2,500	6.50% due 8/15/2019	2,540
Colorado--1.2%	AA	Aa	9,000	Colorado Springs, Colorado, Utilities Revenue Bonds, Series A, 6.10% due 11/15/2024	9,231
	AAA	Aaa	2,500	Douglas County, Colorado, School District No. 1 (Douglas and Elbert Counties Improvement Project), Series A, 6.50% due 12/15/2016 (d)	2,719
Connecticut--1.8%	A1	VMIG1++	1,500	Connecticut State Economic Recovery Notes, VRDN, Series B, 3.90% due 6/01/1996 (a)	1,500
	AA-	A1	5,000	Connecticut State Health and Educational Facilities Authority Revenue Bonds (Nursing Home Program--AHF/Hartford), 7.125% due 11/01/2024	5,628
	AAA	Aaa	3,500	Connecticut State HFA, Revenue Bonds (Mortgage Finance Program), Series B, 6.75% due 11/15/2023 (d)	3,664
	AAA	Aaa	6,500	Connecticut State Special Tax Obligation Revenue Bonds (Transportation Infrastructure), Series A, 5.60% due 6/01/2015 (c)	6,484
	AAA	Aaa	1,500	South Central Connecticut, Regional Water Authority, Water System Revenue Bonds, 11th Series, 5.75% due 8/01/2012 (c)	1,534
Delaware--1.3%	AAA	Aaa	8,490	Delaware State EDA, PCR, Refunding (Delmarva Power Project), Series B, 7.15% due 7/01/2018 (c)	9,491
	AAA	Aaa	3,525	Delaware Transportation Authority, System Revenue Bonds, 7% due 7/01/2013 (c)	3,963
District of Columbia--2.1%	AAA	Aaa	20,100	Metropolitan Washington, D.C., Airport Authority, General Airport Revenue Bonds, AMT, Series A, 6.625% due 10/01/2019 (d)	21,240

</TABLE>

<TABLE>
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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Florida--3.5%	AA	Aa	$ 4,000	Florida State Board of Education, Capital Outlay, Series C, 5.85% due 6/01/2018	$ 4,019
	AAA	Aaa	11,000	Florida State Department of Transportation (Right of Way), 5.875% due 7/01/2024 (d)	11,107
	A1+	VMIG1++	1,000	Hillsborough County, Florida, IDA, PCR, Refunding (Tampa Electric Company--Gannon), VRDN, 3.85% due 5/15/2018 (a)	1,000
	A1+	VMIG1++	200	Manatee County, Florida, PCR, Refunding (Florida Power and Light Co. Project), VRDN, 4% due 9/01/2024 (a)	200
	AAA	Aaa	9,940	Orange County, Florida, Tourist Development Tax Revenue Bonds, Series B, 6.50% due 10/01/2019 (b)	10,683
	AA-	Aa	3,000	Orlando, Florida, Utilities Commission, Water and Electric Revenue Refunding Bonds, Sub-Series A, 5.25% due 10/01/2023	2,808
	A1	VMIG1++	2,600	Pinellas County, Florida, Health Facilities Authority, Revenue Refunding Bonds (Pooled Hospital Loan Program), DATES, 4% due 12/01/2015 (a)	2,600
	A1+	VMIG1++	3,200	Saint Lucie County, Florida, PCR, Refunding (Florida Power and Light Co. Project), VRDN, 3.85% due 3/01/2027 (a)	3,200

Georgia--4.5%	AAA	Aaa	3,000	Chatam County, Georgia, School District Revenue Bonds, GO, UT, 6.75% due 8/01/2018 (d)	3,313
	AAA	Aaa	10,000	Georgia Municipal Electric Authority, Power Revenue Bonds, Series EE, 6.40% due 1/01/2023 (b)	10,478
	AAA	Aaa	1,200	Medical Center Hospital Authority, Georgia, Anticipation Certificates (Columbus Regional Healthcare System), 5.50% due 8/01/2015 (d)	1,156
				Metropolitan Atlanta Rapid Transportation Authority, Georgia, Sales Tax Revenue Bonds:	
	AAA	Aaa	6,500	Second Indenture, Series A, 6.90% due 7/01/2020 (d)	7,225
	AAA	Aaa	8,955	Series O, 6.55% due 7/01/2020 (c)	9,575
	AAA	Aaa	12,800	Municipal Electric Authority, Georgia, Special Obligation Bonds (Fifth Crossover Series--Project One), 6.40% due 1/01/2013 (b)(g)	13,919
Hawaii--1.8%	AAA	Aaa	17,145	Hawaii State Airport Systems Revenue Bonds, AMT, Second Series, 6.75% due 7/01/2021 (d)	18,129
Illinois --6.0%	AAA	Aaa	9,160	Chicago, Illinois, Midway Airport Revenue Bonds, AMT, Series A, 6.25% due 1/01/2024 (d)	9,345
	AAA	Aaa	12,000	Chicago, Illinois, Public Building Commission, Building Revenue Bonds, Series A, 6.50% due 1/01/2018 (d)(g)	12,760
	AAA	Aaa	15,000	Cook County, Illinois, GO, UT, Series A, 6.60% due 11/15/2022 (d)	15,976
				Illinois Health Facilities Authority Revenue Bonds:	
	AAA	Aaa	6,000	Refunding (Carle Foundation), Series A, 6.75% due 1/01/2010 (c)	6,408
	A+	A	1,500	Refunding (Lutheran General Health), Series C, 7% due 4/01/2014	1,696
	AAA	Aaa	8,545	(Rockford Memorial Hospital), Series B, 6.75% due 8/15/2018 (b)	9,064
	AAA	Aaa	5,860	Illinois Municipal Electric Agency, Power Supply System Revenue Bonds, Series A, 5.75% due 2/01/2021 (b)	5,783
Indiana--0.7%	AAA	Aaa	5,000	Indianapolis, Indiana, Gas Utility Revenue Bonds, Series A, 6.20% due 6/01/2023 (c)	5,130
	AAA	Aaa	2,000	Monroe County, Indiana, Hospital Authority Revenue Bonds (Bloomington Hospital Project), 6.70% due 5/01/2012 (d)	2,153

</TABLE>

<TABLE>
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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Kansas--2.2%	AAA	Aaa	$ 20,250	Burlington, Kansas, PCR, Refunding (Kansas Gas and Electric Company Project), 7% due 6/01/2031 (d)	$ 22,498
Kentucky--0.9%	AAA	Aaa	9,030	Owensboro, Kentucky, Water Revenue Improvement and Refunding Bonds, 6.25% due 9/15/2017 (c)	9,376
Maryland --0.2%	NR*	Aa	2,000	Maryland State Community Development Administration, Department of Housing and Community Development, S/F Program, AMT, Second Series, 6.55% due 4/01/2026	2,034
Massachusetts --4.4%				Massachusetts Bay Transportation Authority, General Transportation Systems Revenue Bonds, Series B (b):	
	A+	Aaa	7,000	5.375% due 3/01/2020	6,755
	AAA	Aaa	7,500	5.375% due 3/01/2025	7,195
				Massachusetts State Health and Educational Facilities Authority Revenue Bonds (c):	
	AAA	Aaa	6,400	(Bay State Medical Center), Series D, 5.50% due 7/01/2016	6,177
	AAA	Aaa	7,130	(New England Medical Center Hospitals), Series F, 6.625% due 7/01/2025	7,641
	AAA	Aaa	7,000	Massachusetts State HFA, Housing Revenue Refunding Bonds, Series A, 6.10% due 12/01/2016 (d)	7,035
	AAA	Aaa	5,000	Massachusetts State Industrial Finance Agency Revenue Bonds (Brandeis University), Series C, 6.80% due 10/01/2019 (d)	5,498
	AAA	Aaa	5,000	Massachusetts State Water Resource Authority, General Revenue Bonds, Series A, 5.90% due 8/01/2016 (d)	5,039
Michigan --3.4%	A1+	VMIG1++	200	Grand Rapids, Michigan, Water Supply Systems, Revenue Refunding Bonds, VRDN, 3.90% due 1/01/2020 (a)(c)	200

	AAA	Aaa	21,750	Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds (Detroit Edison Company Pollution Project), 6.875% due 12/01/2021 (c)	23,803
				Monroe County, Michigan, PCR (Detroit Edison Co. Project), AMT:	
	AAA	Aaa	5,000	Series CC, 6.55% due 6/01/2024	5,231
	AAA	Aaa	5,000	Series I-B, 6.55% due 9/01/2024	5,266
Minnesota --0.7%				Minnesota State HFA, S/F Mortgage Revenue Bonds, AMT:	
	AA+	Aa	3,800	Series H, 6.50% due 1/01/2026	3,852
	AA	Aa	3,000	Series L, 6.70% due 7/01/2020	3,089
Missouri --0.4%	AAA	Aaa	4,000	Kansas City, Missouri, Airport General Revenue Improvement Bonds, Series B, 6.875% due 9/01/2014 (h)	4,393
Nebraska --0.5%	AAA	Aaa	5,000	Nebraska Public Power District Revenue Bonds, Series A, 5.25% due 1/01/2022 (d)	4,761
Nevada--6.6%	AAA	Aaa	5,000	Clark County, Nevada, Passenger Facility Revenue Bonds (Las Vegas McCarran International Airport), Series A, 6% due 7/01/2022 (b)	5,033
				Humboldt County, Nevada, PCR, Refunding (Sierra Pacific Power Company Project) (b):	
	AAA	Aaa	9,250	6.55% due 10/01/2013	9,856
	AAA	Aaa	4,500	Series A, 6.30% due 7/01/2022	4,698
				Las Vegas, Nevada, GO, Refunding (c):	
	AAA	Aaa	4,180	6.60% due 10/01/2010	4,537
	AAA	Aaa	4,470	6.60% due 10/01/2011	4,831
	AAA	Aaa	4,770	6.60% due 10/01/2012	5,134
	AAA	Aaa	15,255	Nevada State GO, Nos. 49 and 50, 5.50% due 11/01/2025 (c)	14,683

</TABLE>

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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Nevada (concluded)	AAA	Aaa	$ 2,400	Reno, Nevada, Hospital Revenue Bonds (Saint Mary's Regional Medical Center), Series A, 6.70% due 7/01/2021 (d)	$ 2,570
	AAA	Aaa	15,000	Washoe County, Nevada, Gas Facilities Revenue Bonds (Sierra Pacific Power Company), AMT, 6.65% due 12/01/2017 (b)	16,008
New Hampshire --0.8%	AAA	Aaa	7,660	New Hampshire Higher Educational and Health Facilities Authority Revenue Bonds (Elliot Hospital of Manchester), 6.25% due 10/01/2021 (b)	7,881
New Jersey--2.4%				New Jersey State Housing and Mortgage Finance Agency, Revenue Bonds (Home Buyer), AMT (d):	
	AAA	Aaa	4,695	Series K, 6.375% due 10/01/2026	4,780
	AAA	Aaa	5,000	Series M, 6.95% due 10/01/2022	5,286
	AAA	Aaa	5,000	New Jersey State Transportation Trust Fund Authority, Refunding Bonds (Transportation System), Series A, 5.25% due 6/15/2014 (d)	4,838
				Port Authority of New York and New Jersey, Consolidated Revenue Bonds, AMT (c):	
	AAA	Aaa	5,000	96th Series, 6.60% due 10/01/2023	5,309
	AAA	Aaa	3,875	Refunding, 97th Series, UT, 6.65% due 1/15/2023	4,133
New Mexico--1.5%	AAA	Aaa	10,275	Farmington, New Mexico, PCR, Refunding (Southern California Edison Company), Series A, 5.875% due 6/01/2023 (d)	10,315
	AAA	Aaa	1,480	New Mexico Educational Assistance Foundation, Student Loan Revenue Bonds, AMT, Series A, 6.85% due 4/01/2005 (b)	1,593
	AAA	Aaa	3,000	Santa Fe, New Mexico, Revenue Bonds, Series A, 6.30% due 6/01/2024 (b)	3,129
New York--9.2%	BBB	Baa1	10,980	Metropolitan Transportation Authority, New York, Service Contract Revenue Refunding Bonds (Transit Facilities), Series 5, 7% due 7/01/2012	11,827
				New York City, New York, GO:	
	A1+	VMIG1++	7,300	Series B, Sub-Series B-4, VRDN, UT, 4% due 8/15/2023 (a)(d)	7,300
	BBB+	Baa1	2,210	Series C, Sub-Series C-1, UT, 7.50% due 8/01/2019	2,421
	BBB+	Baa1	2,000	Series D, 6% due 2/15/2015	1,971
	BBB+	Baa1	5,000	Series D, 6% due 2/15/2016	4,913

	BBB+	Baa1	1,000	Series D, UT, 7.50% due 2/01/2016	1,086
	BBB+	Baa1	12,000	Series D, UT, 7.50% due 2/01/2019	13,089
				New York City, New York, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds:	
	AAA	Aaa	7,000	Series B, 5.375% due 6/15/2019 (b)	6,741
	AAA	VMIG1++	12,400	VRDN, Series A, 4% due 6/15/2025 (a)(c)	12,400
	AAA	VMIG1++	5,300	VRDN, Series G, 3.90% due 6/15/2024 (a)(c)	5,300
	SP-1+	MIG1++	5,900	New York City, New York, TAN, UT, Series A, 4.50% due 2/15/1996	5,912
	A1+	VMIG1++	200	New York State Dormitory Authority Revenue Bonds (Cornell University), VRDN, Series B, 3.90% due 7/01/2025 (a)	200
	BBB+	Baa1	7,595	New York State Dormitory Authority, Revenue Refunding Bonds (State University Educational Facilities), Series B, 7% due 5/15/2016	8,115
	AAA	MIG1++	4,600	New York State Thruway Authority, General Revenue Bonds, VRDN, Series B, 3.90% due 1/01/2024 (a)(c)	4,600
	BBB	Baa1	7,000	New York State Urban Development Corporation Revenue Bonds (State Facilities), 7.50% due 4/01/2020	7,804

</TABLE>

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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
North Carolina--0.2%	NR*	VMIG1++	$ 1,800	Person County, North Carolina, Industrial Facilities and Pollution Control Financing Authority, Solid Waste Disposal Revenue Bonds (Carolina Power and Light Company), AMT, DATES, 4% due 11/01/2016 (a)	$ 1,800
North Dakota--0.3%	AAA	Aaa	2,500	Grand Forks, North Dakota, Health Care Facilities Revenue Bonds (United Hospital Obligated Group), 6.25% due 12/01/2024 (d)	2,576
Ohio--1.8%	AAA	Aaa	14,735	Cuyahoga County, Ohio, Hospital Improvement and Revenue Refunding Bonds (University Hospital Health Systems), Series A, 6.875% due 1/15/2019 (f)	16,014
	AAA	Aaa	2,500	Ohio State Higher Educational Facilities Commission, Mortgage Revenue Bonds (University of Dayton Project), 6.60% due 12/01/2017 (c)	2,711
Pennsylvania --3.5%	AAA	Aaa	16,000	Montgomery County, Pennsylvania, IDA, PCR, Refunding (Philadelphia Electric Company), Series B, 6.70% due 12/01/2021 (d)	17,288
	AAA	Aaa	6,250	Philadelphia, Pennsylvania, Water and Wastewater Revenue Bonds, 5.60% due 8/01/2018 (d)	6,178
	AAA	Aaa	12,000	Pittsburgh, Pennsylvania, Water and Sewer Authority Revenue Bonds, Series B, 5.75% due 9/01/2025 (e)	11,864
South Carolina --4.0%	AAA	Aaa	10,250	South Carolina State Port Authority Revenue Bonds, AMT, 6.75% due 7/01/2021 (b)	10,954
	AAA	Aaa	9,900	South Carolina State Public Service Authority Revenue Bonds (Santee Cooper), Series D, 6.50% due 7/01/2014 (b)	10,595
				South Carolina State Public Service Authority, Revenue Refunding Bonds:	
	AAA	Aaa	2,500	Series A, 5.50% due 7/01/2021(d)	2,420
	AAA	Aaa	4,850	Series B, 5.875% due 1/01/2023(c)	4,864
	AAA	Aaa	7,000	Spartanburg County, South Carolina, Hospital Facilities Revenue Refunding Bonds (Spartanburg General Hospital System), Series A, 6.625% due 4/15/2022 (e)	7,533
	NR*	NR*	4,200	Spartanburg County, South Carolina, Solid Waste Disposal Facilities Revenue Bonds (BMW Project), AMT, 7.55% due 11/01/2024	4,586
Tennessee--1.4%	AAA	Aaa	3,820	Johnson City, Tennessee, Health and Educational Facilities Board, Hospital Revenue Refunding and Improvement Bonds (Johnson City Medical Center), 6.75% due 7/01/2016 (d)	4,131
				Metropolitan Government Nashville and Davidson County, Tennessee, Water and Sewer Revenue Bonds (b):	
	AAA	Aaa	3,000	RIB, 8.054% due 1/01/2022 (i)	3,086
	AAA	Aaa	3,000	SAVRS, 4.04% due 1/01/2022 (a)	3,000
	A+	A1	3,900	Tennessee, Housing Development Agency, Mortgage Finance, AMT, Series A, 6.90% due 7/01/2025	4,052
Texas--7.0%	AAA	Aaa	2,800	Austin, Texas, Utility System Revenue Refunding Bonds, 5.50% due 5/15/2020 (d)	2,723

	AAA	Aaa	3,200	Bexar, Texas, Metropolitan Water District, Waterworks System Revenue Refunding Bonds, 6.35% due 5/01/2025 (d)	3,374
	AAA	Aaa	3,800	Brazos River Authority, Texas, PCR (Texas Utilities Electric Company Project), AMT, Series A, 6.75% due 4/01/2022 (b)	4,064
	AAA	Aaa	12,140	Brazos River Authority, Texas, Revenue Refunding Bonds (Houston Light and Power), Series A, 6.70% due 3/01/2017 (b)	13,259

</TABLE>

<TABLE>
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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Texas (concluded)	AAA	Aaa	$ 6,885	Houston, Texas, Airport System Revenue Bonds (Sub-Lien), AMT, Series A, 6.75% due 7/01/2021 (c)	$ 7,358
	AAA	Aaa	4,750	Houston, Texas, Hotel Occupany Tax Revenue Refunding Bonds (Senior-Lien), 5.50% due 7/01/2015 (e)	4,627
	AAA	Aaa	7,500	Houston, Texas, Water and Sewer System Revenue Refunding Bonds (Junior Lien), Series A, 6.20% due 12/01/2020 (d)	7,767
	AAA	Aaa	11,795	Matagorda County, Texas, Navigational District No. 1, Revenue Refunding Bonds (Houston Light and Power), Series A, 6.70% due 3/01/2027 (b)	12,769
				San Antonio, Texas, Electric and Gas Revenue Bonds, Series 95 (d):	
	AAA	Aaa	5,500	5.375% due 2/01/2016	5,318
	AAA	Aaa	7,000	5.375% due 2/01/2017	6,763
	AAA	Aaa	3,000	5.375% due 2/01/2018	2,896
Utah--1.9%	AA-	Aa	10,250	Intermountain Power Agency, Utah, Power Supply Revenue Refunding Bonds, Series A, 5.50% due 7/01/2020	9,732
	AAA	Aaa	10,000	Salt Lake City, Utah, Airport Revenue Bonds, AMT, Series A, 6.125% due 12/01/2022 (c)	10,131
Virginia--1.2%	AAA	Aaa	5,540	Loudon County, Virginia, COP, 6.90% due 3/01/2019 (e)	6,111
	AAA	Aaa	6,500	Virginia State Housing Development Authority, Commonwealth Mortgage, AMT, Series A, Sub-Series A-4, 6.45% due 7/01/2028 (d)	6,631
Washington --7.3%	AAA	Aaa	1,200	Douglas County, Washington, Public Utility District No. 001, Electric District System Revenue Bonds, 6% due 1/01/2015 (d)	1,215
	AAA	Aaa	9,495	Port Seattle, Washington, Revenue Bonds (Sub-Lien), Series C, 6.625% due 8/01/2017 (d)	10,243
				Seattle, Washington, Metropolitan Seattle Municipality Sewer Revenue Bonds:	
	AAA	Aaa	5,000	Refunding, Series X, 5.50% due 1/01/2016 (c)	4,892
	AAA	Aaa	10,560	Series U, 6.60% due 1/01/2032 (c)	11,163
	AAA	Aaa	1,750	Series W, 6.25% due 1/01/2022 (d)	1,803
				Seattle, Washington, Municipal Light and Power Revenue Bonds, Series A (d):	
	AAA	Aaa	3,000	5.625% due 9/01/2017	2,971
	AAA	Aaa	3,000	5.625% due 9/01/2018	2,968
	AAA	Aaa	5,000	Snohomish County, Washington, Public Utility District No. 001, Electric Revenue Bonds (Generation System), AMT, Series B, 5.80% due 1/01/2024 (d)	4,891
	AAA	Aaa	3,500	Tacoma, Washington, Refuse Utility Revenue Bonds, 7% due 12/01/2019 (b)	3,909
	AAA	Aaa	2,000	University of Washington Alumni Association, Lease Revenue Bonds (University of Washington Medical Center--Roosevelt II), 6.25% due 8/15/2012 (h)	2,114
	AA	Aa	8,500	Washington State, GO, UT, Series 93A, 5.75% due 10/01/2017	8,416
	A+	A1	8,300	Washington State Health Care Facilities Authority Revenue Bonds (Children's Hospital and Medical Center), 6% due 10/01/2022	8,158
	AAA	Aaa	11,175	Washington State Public Power Supply Systems, Revenue Refunding Bonds (Nuclear Project No. 1), Series A, 6.25% due 7/01/2017 (d)	11,482

</TABLE>

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SCHEDULE OF INVESTMENTS (concluded) (in Thousands)

S&P Moody's Face Value

State	Ratings	Ratings	Amount	Issue	(Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
West Virginia--0.8%	AAA	Aaa	$ 4,425	Harrison County, West Virginia, Commonwealth Solid Waste Disposal Revenue Bonds (Monongahela Power), AMT, Series C, 6.75% due 8/01/2024 (b)	$ 4,798
	AAA	Aaa	2,800	West Virginia School Building Authority, Revenue and Capital Improvement Bonds, Series B, 6.75% due 7/01/2017 (d)	3,039
Wisconsin--1.3%	AAA	Aaa	6,000	Wisconsin State Health and Educational Facilities Authority Revenue Bonds (Aurora Health Care Obligated Group), 5.25% due 8/15/2023 (d)	5,477
				Wisconsin State Health and Educational Facilities Authority, Revenue Refunding Bonds (Wheaton-Franciscan Services) (d):	
	AAA	Aaa	3,955	6.50% due 8/15/2011	4,154
	AAA	Aaa	2,000	6% due 8/15/2015	2,012
	AA	Aa	2,000	Wisconsin State Housing and EDA, Home Ownership Revenue Bonds, AMT, Series B, 6.75% due 9/01/2025	2,054
Puerto Rico--0.0%	AAA	Aaa	500	Puerto Rico Housing and Banking Agency, S/F Mortgage Revenue Bonds (Affordable Housing Mortgage--Portfolio I), AMT, 6.25% due 4/01/2029	504
Total Investments (Cost--$984,814)--102.5%					1,044,468
Liabilities in Excess of Other Assets--(2.5%)					(25,956)

Net Assets--100.0%					$1,018,512
					==========

<FN>
(a) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at October 31, 1995.
(b) AMBAC Insured.
(c) FGIC Insured.
(d) MBIA Insured.
(e) FSA Insured.
(f) BIG Insured.
(g) Escrowed to maturity.
(h) CGIC Insured.
(i) The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at October 31, 1995.
*Not Rated.
++Highest short-term rating by Moody's Investors Service, Inc.
Ratings of issues shown have not been audited by Deloitte & Touche LLP.
</TABLE>
See Notes to Financial Statements.

FINANCIAL INFORMATION

<TABLE>
Statement of Assets, Liabilities and Capital as of October 31, 1995

<S>	<C>	<C>	<C>
Assets:	Investments, at value (identified cost--$984,813,712) (Note 1a)		$1,044,468,282
	Cash		36,144
	Receivables:		
	Interest	$ 17,279,916	
	Securities sold	11,085,578	28,365,494

	Deferred organization expenses (Note 1e)		8,873
	Prepaid expenses and other assets		47,140

	Total assets		1,072,925,933

Liabilities:	Payables:		
	Securities purchased	52,379,427	
	Dividends to shareholders (Note 1f)	1,511,720	
	Investment adviser (Note 2)	444,673	54,335,820

	Accrued expenses and other liabilities		78,057

	Total liabilities		54,413,877

Net Assets:	Net assets		$1,018,512,056
			==============
Capital:	Capital Stock (200,000,000 shares authorized) (Note 4):		
	Preferred Stock, par value $.10 per share (12,800 shares of AMPS* issued and outstanding at $25,000 per share liquidation preference)		$ 320,000,000
	Common Stock, par value $.10 per share (45,187,339 shares issued and outstanding)	$ 4,518,734	
	Paid-in capital in excess of par	630,233,103	
	Undistributed investment income--net	7,213,796	
	Accumulated realized capital losses on investments--net	(1,207,134)	
	Accumulated distributions in excess of realized capital gains--net	(1,901,013)	
	Unrealized appreciation on investments--net	59,654,570	

	Total--Equivalent to $15.46 net asset value per Common Stock (market price--$13.625)		698,512,056

	Total capital		$1,018,512,056
			==============

<FN>
*Auction Market Preferred Stock.
</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION (continued)

<TABLE>
<CAPTION>
Statement of Operations

		For the Year Ended October 31, 1995	
<S>	<C>	<C>	<C>
Investment Income (Note 1d):	Interest and amortization of premium and discount earned		$ 60,869,852
Expenses:	Investment advisory fees (Note 2)	$ 4,914,408	
	Commission fees (Note 4)	834,817	
	Transfer agent fees	149,777	
	Accounting services (Note 2)	109,921	
	Professional fees	86,275	
	Directors' fees and expenses	77,751	
	Printing and shareholder reports	75,317	
	Custodian fees	55,719	
	Listing fees	39,708	
	Pricing fees	20,941	
	Amortization of organization expenses (Note 1e)	6,313	
	Other	56,703	

	Total expenses		6,427,650

	Investment income--net		54,442,202

Realized & Unrealized Gain (Loss) on Investments--Net (Notes 1b, 1d & 3):	Realized loss on investments--net		(1,207,134)
	Change in unrealized appreciation/depreciation on investments--net		76,204,182

	Net Increase in Net Assets Resulting from Operations		$ 129,439,250
			==============

</TABLE>

<TABLE>
<CAPTION>
Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:		For the Year Ended October 31, 1995	1994
<S>	<C>	<C>	<C>
Operations:	Investment income--net	$ 54,442,202	$ 54,559,554
	Realized gain (loss) on investments--net	(1,207,134)	184,275
	Change in unrealized appreciation/depreciation on		

	investments--net	76,204,182	(120,465,020)
	Net increase (decrease) in net assets resulting from operations	129,439,250	(65,721,191)
Dividends & Distributions to Shareholders (Note 1f):	Investment income--net:		
	Common Stock	(41,768,871)	(44,380,022)
	Preferred Stock	(12,703,005)	(7,730,046)
	Realized gain on investments--net:		
	Common Stock	(158,132)	(11,709,621)
	Preferred Stock	(26,101)	(1,956,511)
	In excess of realized gain on investments--net:		
	Common Stock	(1,631,693)	--
	Preferred Stock	(269,320)	--
	Net decrease in net assets resulting from dividends and distributions to shareholders	(56,557,122)	(65,776,200)
Capital Stock Transactions (Notes 1e & 4):	Offering costs resulting from the issuance of Common Stock	--	(18,766)
	Offering costs resulting from the issuance of Preferred Stock	--	8,000
	Net decrease in net assets derived from capital stock transactions	--	(10,766)
Net Assets:	Total increase (decrease) in net assets	72,882,128	(131,508,157)
	Beginning of year	945,629,928	1,077,138,085
	End of year*	$1,018,512,056	$ 945,629,928
	<FN>		
	*Undistributed investment income--net	$ 7,213,796	$ 7,243,470

</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION (concluded)

<TABLE>
<CAPTION>
Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements.

Increase (Decrease) in Net Asset Value:		For the Year Ended October 31, 1995	1994	1993	For the Period March 27, 1992++ to Oct. 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:	Net asset value, beginning of period	$ 13.85	$ 16.76	$ 14.27	$ 14.18
	Investment income--net	1.20	1.20	1.21	.66
	Realized and unrealized gain (loss) on investments--net	1.66	(2.66)	2.59	.16
	Total from investment operations	2.86	(1.46)	3.80	.82
	Less dividends and distributions to Common Stock shareholders:				
	Investment income--net	(.92)	(.98)	(1.00)	(.48)
	Realized gain on investments--net	--+++	(.26)	(.10)	--
	In excess of realized gains on investments--net	(.04)	--	--	--
	Total dividends and distributions to Common Stock shareholders	(.96)	(1.24)	(1.10)	(.48)
	Capital charge resulting from issuance of Common Stock	--	--	--	(.01)
	Effect of Preferred Stock activity:++++				
	Dividends and distributions to Preferred				

	Stock shareholders:				
	Investment income--net	(.28)	(.17)	(.19)	(.10)
	Realized gain on investments--net	--+++	(.04)	(.02)	--
	In excess of realized gains on investments--net	(.01)	--	--	--
	Capital charge resulting from issuance of Preferred Stock	--	--	--	(.14)
	Total effect of Preferred Stock activity	(.29)	(.21)	(.21)	(.24)
	Net asset value, end of period	$ 15.46	$ 13.85	$ 16.76	$ 14.27
	Market price per share, end of period	$ 13.625	$ 11.625	$ 15.875	$ 14.875
Total Investment Return:**	Based on market price per share	26.09%	(20.23%)	14.51%	2.46%+++++
	Based on net asset value per share	20.09%	(9.98%)	26.01%	3.97%+++++
Ratios to Average Net Assets:***	Expenses, net of reimbursement	.65%	.66%	.65%	.47%*
	Expenses	.65%	.66%	.65%	.66%*
	Investment income--net	5.55%	5.35%	5.35%	5.69%*
Supplemental Data:	Net assets, net of Preferred Stock, end of period (in thousands)	$698,512	$625,630	$757,138	$638,150
	Preferred Stock outstanding, end of period (in thousands)	$320,000	$320,000	$320,000	$320,000
	Portfolio turnover	59.71%	45.71%	39.93%	21.89%
Dividends Per Share on Preferred Stock Outstanding:++++++	Series A--Investment income--net	$ 1,043	$ 1,184	$ 1,150	$ 688
	Series B--Investment income--net	1,043	1,090	1,253	656
	Series C--Investment income--net	1,042	1,278	1,175	659
	Series D--Investment income--net	950	1,144	1,426	767
	Series E--Investment income--net	933	1,282	1,492	766

<FN>

*Annualized.

**Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales loads.

***Do not reflect the effect of dividends to Preferred Stock shareholders.

++Commencement of Operations.

++++The Fund's Preferred Stock was issued on May 22, 1992.

++++++Dividends per share have been adjusted to reflect a two-for-one stock split.

+++Amount less than $.01 per share.

+++++Aggregate total investment return.

</TABLE>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:
MuniYield Insured Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a non-diversified, closed-end management investment company. The Fund determines and makes available for publication the net asset value of its Common Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol MYI. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Municipal bonds are traded primarily in the over-the-counter markets and are valued at the most recent bid price or yield equivalent as obtained by the Fund's pricing service from dealers that make markets in such securities. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges or, lacking any sales, at the last available bid price. Securities with remaining maturities of sixty days or less are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by a pricing service retained by the Fund, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Board of Directors.

(b) Derivative financial instruments--The Fund may engage in various portfolio strategies to seek to increase its return by hedging its portfolio against adverse movements in the debt markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

* Financial futures contracts--The Fund may purchase or sell interest rate futures contracts and options on such futures contracts for the purpose of hedging the market risk on existing securities or the intended purchase of securities. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

* Options--The Fund is authorized to write covered call options and purchase put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written.

When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired, or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

(c) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Discounts and market premiums are amortized into interest income. Realized gains and losses on security transactions are determined on the identified cost basis.

(e) Deferred organization expenses and offering expenses--Deferred organization expenses are amortized on a straight-line basis over a five-year period. Direct expenses relating to the public offering of the Common and Preferred Stock were charged to capital at time of issuance.

(f) Dividends and distributions--Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the

NOTES TO FINANCIAL STATEMENTS (concluded)

ex-dividend dates. Distributions in excess of realized capital gains are due primarily to differing tax treatments for futures transactions and post-October losses.

2. Investment Advisory Agreement and Transactions with Affiliates:
The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of 0.50% of the Fund's average weekly net assets.

Accounting services are provided to the Fund by FAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, PSI, Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S"), and/or ML & Co.

3. Investments:
Purchases and sales of investments, excluding short-term securities, for the year ended October 31, 1995 were $555,583,347 and $569,854,939, respectively.

Net realized and unrealized gains (losses) as of October 31, 1995 were as follows:

<TABLE>
<CAPTION>

	Realized Gains (Losses)	Unrealized Gains (Losses)
Long-term investments	$ 8,738,527	$59,639,327
Short-term investments	(40,911)	15,243
Financial futures contracts	(9,904,750)	--
Total	$(1,207,134)	$59,654,570

</TABLE>

As of October 31, 1995, net unrealized appreciation for Federal income tax purposes aggregated $59,654,570, of which $59,814,243 related to appreciated securities and $159,673 related to depreciated securities. The aggregate cost of investments at October 31, 1995 for Federal income tax purposes was $984,813,712.

4. Capital Stock Transactions:
The Fund is authorized to issue 200,000,000 shares of capital stock, including Preferred Stock, par value $.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to reclassify any unissued shares of capital stock without approval of holders of Common Stock.

Common Stock
For the year ended October 31, 1995, shares issued and outstanding remained constant at 45,187,339. At October 31, 1995, total paid-in capital amounted to $634,751,837.

Preferred Stock
Auction Market Preferred Stock ("AMPS") are shares of Preferred Stock of the Fund that entitle their holders to receive cash dividends at an annual rate that may vary for the successive dividend periods. The yields in effect at October 31, 1995 were as follows: Series A, 3.77%; Series B, 3.77%; Series C, 3.77%; Series D, 3.667%; and Series E, 3.77%.

A two-for-one stock split occurred on December 1, 1994. As a result, as of October 31, 1995, there were 12,800 AMPS shares authorized, issued and outstanding with a liquidation preference of $25,000 per share, plus accumulated and unpaid dividends of $197,820.

The Fund pays commissions to certain broker-dealers at the end of each auction at an annual rate ranging from 0.25% to 0.375%, calculated on the proceeds of each auction. For the year ended October 31, 1995, MLPF&S, an affiliate of FAM, earned $450,570 as commissions.

5. Subsequent Event:
On November 13, 1995, the Fund's Board of Directors declared an ordinary income dividend to Common Stock shareholders in the amount of $0.077732 per share, payable on November 29, 1995, to shareholders of record as of November 24, 1995.

UNAUDITED FINANCIAL STATEMENTS FOR INSURED I
FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 1996

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Alabama--0.4%	AAA	Aaa	$ 3,500	Huntsville, Alabama, Health Care Authority, Health Care Facilities Revenue Bonds, Series B, 6.625% due 6/01/2023 (d)	$ 3,658
Alaska--1.8%	AAA	Aaa	18,960	Alaska State Housing Finance Corporation, Refunding, Series A, 5.875% due 12/01/2024 (d)(j)(k)	18,261
Arizona--0.4%	NR*	VMIG1++	200	Arizona Educational Loan Marketing Corporation, Educational Loan Revenue Bonds, VRDN, AMT, Series A, 4.35% due 12/01/2020 (a)	200
	NR*	NR*	3,500	Mohave County, Arizona, IDA, IDR (North Star Steel Company Project), AMT, 6.70% due 3/01/2020	3,687
	AA	P1	100	Pinal County, Arizona, IDA, PCR (Magma Copper/Newmont Mining Corporation), VRDN, 4.05% due 12/01/2009 (a)	100
Arkansas--0.1%	NR*	P1	600	Crosset, Arkansas, PCR (Georgia--Pacific Corporation Project), VRDN, 4.20% due 10/01/2007 (a)	600
California --16.0%				California HFA, Revenue Bonds, AMT:	
	AA-	Aa	3,850	RIB, 9.237% due 8/01/2023 (i)	3,889
	AAA	Aaa	1,595	Series E, 7% due 8/01/2026 (d)	1,656
	AAA	Aaa	6,500	California State Department of Water Resources, Water Systems Revenue Bonds (Central Valley Project), Series O, 4.75% due 12/01/2029 (d)	5,276
				California State Public Works Board, Lease Revenue Bonds:	
	A-	A	8,500	(Department of Corrections--Monterey County Soledad II), Series A, 7% due 11/01/2019	9,252
	A-	A	2,750	(Various California State University Projects), 6.375% due 10/01/2019	2,835
	AAA	Aaa	3,000	(Various University of California Projects), Series A, 6.40% due 12/01/2016 (b)	3,120
	A-	A1	4,000	(Various University of California Projects), Series B, 6.625% due 12/01/2019	4,194
	AAA	Aaa	7,000	California State, Various Purpose, 5.90% due 4/01/2023 (c)	6,888
	AAA	Aaa	5,000	Contra Costa, California, Water District, Water Revenue Bonds, Series D, 6.375% due 10/01/2022 (b)	5,179
	AAA	Aaa	3,000	East Bay, California, Municipal Utility District, Wastewater Treatment Systems, Revenue Refunding Bonds, Sub-Series,	

				5% due 6/01/2026 (c)	2,599
	AAA	Aaa	11,500	Los Angeles, California, Convention and Exhibition Center Authority, Lease Revenue Refunding Bonds, Series A, 5.375% due 8/15/2018 (d)	10,556
				Los Angeles, California, Harbor Department Revenue Bonds, AMT, Series B (b):	
	AAA	Aaa	3,000	6.625% due 8/01/2019	3,124
	AAA	Aaa	8,725	6.625% due 8/01/2025	8,989
	AAA	Aaa	11,585	Los Angeles County, California, Metropolitan Transportation Authority, Sales Tax Revenue Bonds, Second Senior Series B, Proposition C, 5.25% due 7/01/2023 (b)	10,341
	AAA	Aaa	5,000	Los Angeles County, California, Transportation Commission, Sales Tax Revenue Refunding Bonds, Series B, 6.50% due 7/01/2015 (c)	5,277
	AAA	Aaa	8,210	M-S-R Public Power Agency, California, Revenue Bonds (San Juan Project), Series E, 6.75% due 7/01/2011 (d)	8,782
	AAA	Aaa	2,190	Northern California Transmission Revenue Bonds (California--Oregon Transmission Project), Series A, 6.50% due 5/01/2016 (d)	2,319
	AAA	Aaa	3,000	Orange County, California, Financing Authority, Tax Allocation Revenue Refunding Bonds, Series A, 6.25% due 9/01/2014 (d)	3,074
	AAA	Aaa	3,000	Redwood City, California, Public Financing Authority, Local Agency Revenue Refunding Bonds, Series A, 6.50% due 7/15/2011 (b)	3,202

</TABLE>

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
California (concluded)	AAA	Aaa	$ 5,000	Sacramento, California, City Financing Authority, Lease Revenue Refunding Bonds, Series A, 5.40% due 11/01/2020 (b)	$ 4,684
	AAA	Aaa	2,250	Sacramento, California, Municipal Utility District, Electric Revenue Bonds, Series J, 5.50% due 8/15/2021 (b)	2,127
	AAA	Aaa	6,000	San Francisco, California, Bay Area Rapid Transit District, Sales Tax Revenue Bonds, 5.50% due 7/01/2020 (c)	5,678
				San Francisco, California, City and County Airports Commission Revenue Bonds (International Airport), Second Series:	
	AAA	Aaa	6,000	AMT, Issue 6, 6.60% due 5/01/2024 (b)	6,190
	AAA	Aaa	13,500	Issue 9B, 5.25% due 5/01/2020 (c)	12,349
	AAA	Aaa	10,000	San Francisco, California, City and County Sewer Revenue Bonds, Series A, 5.95% due 10/01/2025 (c)	9,863
	AAA	Aaa	5,375	San Mateo County, California, Joint Powers Financing Authority, Lease Revenue Bonds (San Mateo County Health Care Center), Series A, 5.75% due 7/15/2022 (e)	5,184
	AAA	Aaa	3,000	Santa Rosa, California, Wastewater Revenue Refunding Bonds, Series A, 5.25% due 9/01/2016 (c)	2,818
	AAA	Aaa	4,900	Southern California Public Power Authority, Transmission Project Revenue Refunding Bonds, Sub-Series A, 5% due 7/01/2022 (d)	4,216
	AAA	Aaa	2,500	Stanislaus County, California, COP, Refunding (Capital Improvement Program), Series A, 5.25% due 5/01/2018 (d)	2,293
	AAA	Aaa	5,000	University of California Revenue Bonds (Multiple Purpose Projects), Series D, 6.375% due 9/01/2024 (d)	5,171
Colorado--1.9%	AA	Aa	9,000	Colorado Springs, Colorado, Utilities Revenue Bonds, Series A, 6.10% due 11/15/2024	9,051
	AAA	Aaa	7,000	Denver, Colorado, City and County Airport Revenue Bonds, Series A, 5.50% due 11/15/2025 (d)	6,555
	AAA	Aaa	2,500	Douglas County, Colorado, School District No. Re-1 (Douglas and Elbert Counties Improvement Project), Series A, 6.50% due 12/15/2016(d)	2,641
Connecticut --1.2%	AAA	Aaa	3,500	Connecticut State HFA (Housing Mortgage Finance Program), Series B, 6.75% due 11/15/2023 (d)	3,626
	AA-	A1	5,000	Connecticut State Health and Educational Facilities Authority Revenue Bonds (Nursing Home Program--AHF/Hartford), 7.125% due 11/01/2024	5,566
	AA-	Aa	2,000	Connecticut State, Series A, 5.50% due 5/15/2014	1,946
Delaware--1.3%	AAA	Aaa	8,490	Delaware State EDA, PCR, Refunding (Delmarva Power Project), Series B, 7.15% due 7/01/2018 (c)	9,382
	AAA	Aaa	3,525	Delaware Transportation Authority, Transportation System Revenue Bonds, Senior Series, 7% due 7/01/2013 (c)	3,882

District of Columbia--2.1%	AAA	Aaa	20,100	Metropolitan Washington, D.C., Virginia Airports Authority, General Airport Revenue Bonds, AMT, Series A, 6.625% due 10/01/2019 (d)	20,812
Florida--3.7%	AAA	Aaa	4,000	Dade County, Florida, Aviation Revenue Bonds, Series B, 5.60% due 10/01/2026 (d)	3,826
	AA-	VMIG1++	3,300	Dade County, Florida, IDA, Exempt Facilities Revenue Refunding Bonds (Florida Power & Light Co.), VRDN, 4.10% due 6/01/2021 (a)	3,300
	A1+	VMIG1++	6,500	Dade County, Florida, IDA, IDR (Dolphins Stadium Project), VRDN, Series D, 4.05% due 1/01/2016 (a)	6,500
	AAA	Aaa	6,250	Dade County, Florida, Refunding (Seaport), UT, 5.125% due 10/01/2026 (d)	5,585
	AAA	Aaa	9,940	Orange County, Florida, Tourist Development, Tax Revenue Bonds, Series B, 6.50% due 10/01/2019 (b)	10,472
	A-1	VMIG1++	6,800	Pinellas County, Florida, Health Facilities Authority, Revenue Refunding Bonds (Pooled Hospital Loan Program), DATES, 4.05% due 12/01/2015 (a)	6,800

</TABLE>

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Georgia--2.8%	AAA	Aaa	$ 10,000	Georgia Municipal Electric Authority, Power Revenue Bonds, Series EE, 6.40% due 1/01/2023 (b)	$ 10,311
	AAA	Aaa	1,200	Medical Center Hospital Authority, Georgia, Anticipation Certificates (Columbus Regional Healthcare System), 5.50% due 8/01/2015 (d)	1,135
				Metropolitan Atlanta Rapid Transportation Authority, Georgia, Sales Tax Revenue Bonds:	
	AAA	Aaa	6,500	Second Indenture, Series A, 6.90% due 7/01/2020 (d)	7,076
	AAA	Aaa	8,955	Series O, 6.55% due 7/01/2020 (c)	9,566
Hawaii--1.8%	AAA	Aaa	17,145	Hawaii State Airports Systems Revenue Bonds, AMT, Second Series, 6.75% due 7/01/2021 (d)	17,934
Illinois--6.5%	AAA	Aaa	7,000	Chicago, Illinois (Central Public Library), Series B, 6.85% due 7/01/2002 (b)(h)	7,845
	AAA	Aaa	9,160	Chicago, Illinois, Midway Airport Revenue Bonds, AMT, Series A, 6.25% due 1/01/2024 (d)	9,179
	AAA	Aaa	5,000	Chicago, Illinois (Project Series), UT, 5.50% due 1/01/2024 (c)	4,613
	AAA	Aaa	12,000	Chicago, Illinois, Public Building Commission, Building Revenue Bonds, Series A, 6.50% due 1/01/2018 (d)(g)	12,498
	AAA	Aaa	15,000	Cook County, Illinois, GO, UT, Series A, 6.60% due 11/15/2022 (d)	15,655
				Illinois Health Facilities Authority Revenue Bonds:	
	AAA	Aaa	6,000	Refunding (Carle Foundation), Series A, 6.75% due 1/01/2010 (c)	6,309
	AAA	Aaa	8,545	(Rockford Memorial Hospital), Series B, 6.75% due 8/15/2018 (b)	8,933
Indiana--0.7%	AAA	Aaa	5,000	Indianapolis, Indiana, Gas Utility Revenue Bonds, Series A, 6.20% due 6/01/2023 (c)	5,085
	AAA	Aaa	2,000	Monroe County, Indiana, Hospital Authority Revenue Bonds (Bloomington Hospital Project), 6.70% due 5/01/2012 (d)	2,107
	A-1	Aaa	300	Rockport, Indiana, PCR, Refunding, (AEP Generating Co. Project), VRDN, Series A, 4.10% due 7/01/2025 (a)(b)	300
Kansas--2.2%	AAA	Aaa	20,250	Burlington, Kansas, PCR, Refunding (Kansas Gas and Electric Company Project), 7% due 6/01/2031 (d)	22,162
Maryland--0.2%	NR*	Aa	1,995	Maryland State Community Development Administration, Department of Housing and Community Development, S/F Program, AMT, Second Series, 6.55% due 4/01/2026	2,020
Massachusetts --5.1%				Massachusetts Bay Transportation Authority, General Transportation Systems, Series B (b):	
	AAA	Aaa	7,000	5.375% due 3/01/2020	6,482
	AAA	Aaa	7,500	5.375% due 3/01/2025	6,899
				Massachusetts State Health and Educational Facilities Authority Revenue Bonds (c):	

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value
	AAA	Aaa	6,400	(Bay State Medical Center), Series D, 5.50% due 7/01/2016	6,000
	AAA	Aaa	7,130	(New England Medical Center Hospitals), Series F, 6.625% due 7/01/2025	7,456
	AAA	Aaa	5,000	Massachusetts State Industrial Finance Agency Revenue Bonds (Brandeis University), Series C, 6.80% due 10/01/2019 (d)	5,335
				Massachusetts State Water Resource Authority (d):	
	AAA	Aaa	5,000	(General), Series A, 5.90% due 8/01/2016	4,878
	AAA	Aaa	6,000	Series B, 4.75% due 12/01/2021	4,977
	AAA	Aaa	12,000	Series B, 5% due 12/01/2025	10,407
Michigan--3.3%	A1+	VMIG1++	200	Grand Rapids, Michigan, Water Supply System, Revenue Refunding Bonds, VRDN, 4.10% due 1/01/2020 (a)(c)	200
	AAA	Aaa	21,750	Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds (Detroit Edison Company Pollution Project), 6.875% due 12/01/2021 (c)	23,426
				Monroe County, Michigan, PCR (Detroit Edison Co. Project), AMT (d):	
	AAA	Aaa	5,000	Series CC, 6.55% due 6/01/2024	5,158
	AAA	Aaa	5,000	Series I-B, 6.55% due 9/01/2024	5,161

</TABLE>

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Minnesota--0.7%				Minnesota State HFA, S/F Mortgage Revenue Bonds, AMT:	
	AA+	Aa	$ 3,800	Series H, 6.50% due 1/01/2026	$ 3,847
	AA+	Aa	3,000	Series L, 6.70% due 7/01/2020	3,051
Missouri--0.4%	AAA	Aaa	4,000	Kansas City, Missouri, Airport General Revenue Improvement Bonds, Series B, 6.875% due 9/01/2014 (e)	4,300
Nevada--5.7%	AAA	Aaa	9,250	Humboldt County, Nevada, PCR, Refunding (Sierra Pacific Power Company Project), 6.55% due 10/01/2013 (b)	9,888
				Las Vegas, Nevada, GO, Refunding (c):	
	AAA	Aaa	4,180	6.60% due 10/01/2010	4,492
	AAA	Aaa	4,470	6.60% due 10/01/2011	4,785
	AAA	Aaa	4,770	6.60% due 10/01/2012	5,103
	AAA	Aaa	15,255	Nevada State GO, Nos. 49 and 50, 5.50% due 11/01/2025 (c)	14,378
	AAA	Aaa	2,400	Reno, Nevada, Hospital Revenue Bonds (Saint Mary's Regional Medical Center), Series A, 6.70% due 7/01/2021 (d)	2,532
	AAA	Aaa	15,000	Washoe County, Nevada, Gas Facilities Revenue Bonds (Sierra Pacific Power Co.), AMT, 6.65% due 12/01/2017 (b)	15,581
New Hampshire--0.8%	AAA	Aaa	7,660	New Hampshire Higher Educational and Health Facilities Authority Revenue Bonds (Elliot Hospital of Manchester), 6.25% due 10/01/2021 (b)	7,837
New Jersey--1.7%	AAA	Aaa	4,695	New Jersey State Housing and Mortgage Finance Agency Revenue Bonds (Home Buyer), AMT, Series K, 6.375% due 10/01/2026 (d)	4,716
	AAA	Aaa	12,000	New Jersey State Transportation Trust Fund Authority Refunding Bonds (Transportation System), Series A, 5.50% due 6/15/2013 (d)	11,713
New Mexico--1.1%	A1+	P1	800	Farmington, New Mexico, PCR (Arizona Public Service Co.), VRDN, AMT, Series C, 4.25% due 9/01/2024 (a)	800
	AAA	Aaa	10,275	Farmington, New Mexico, PCR, Refunding (Southern California Edison Company), Series A, 5.875% due 6/01/2023 (d)	10,063
New York--5.6%	BBB	Baa1	10,980	Metropolitan Transportation Authority, New York, Service Contract Refunding Bonds (Transit Facilities), Series 5, 7% due 7/01/2012	11,604
				New York City, New York, GO, UT:	
	BBB+	Baa1	2,210	Series C, Sub-Series C-1, 7.50% due 8/01/2019	2,421
	BBB+	Baa1	1,000	Series D, 7.50% due 2/01/2016	1,090
	BBB+	Baa1	12,000	Series D, 7.50% due 2/01/2019	13,083
	AAA	Aaa	7,000	New York City, New York, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds, Series B, 5.375% due 6/15/2019 (b)	6,464
	BBB+	Baa1	7,595	New York State Dormitory Authority, Revenue Refunding Bonds (State University Educational Facilities), Series B, 7% due 5/15/2016	8,054
	A	A	5,000	New York State Local Government Assistance Corporation, Refunding, Series B, 5.50% due 4/01/2021	4,624
				New York State Urban Development Corporation, Revenue	

				Refunding Bonds (Correctional Facilities):	
	BBB	Baa1	6,000	5.50% due 1/01/2015	5,440
	BBB	Baa1	4,000	Series A, 5.50% due 1/01/2016	3,617
North Carolina--0.5%	NR*	VMIG1++	5,000	Person County, North Carolina, Industrial Facilities and Pollution Control Financing Authority, Solid Waste Disposal Revenue Bonds (Carolina Power and Light Company), DATES, AMT, 4.30% due 11/01/2016 (a)	5,000
North Dakota--0.3%	AAA	Aaa	2,500	Grand Forks, North Dakota, Health Care Facilities Revenue Bonds (United Hospital Obligated Group), 6.25% due 12/01/2024 (d)	2,550
Ohio--3.0%	AAA	Aaa	3,950	Clermont County, Ohio, Sewer Systems Revenue Bonds, 7.10% due 12/01/2001 (b)(h)	4,470
	AAA	Aaa	14,735	Cuyahoga County, Ohio, Hospital Revenue and Improvement Refunding Bonds (University Hospitals Health Systems), Series A, 6.875% due 1/15/1999 (f)(h)	15,925

</TABLE>

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Ohio (concluded)	NR*	VMIG1++	$ 6,700	Cuyahoga County, Ohio, Hospital Revenue Improvement Bonds (University Hospital of Cleveland), VRDN, 4.25% due 1/01/2016 (a)	$ 6,700
	AAA	Aaa	2,500	Ohio State Higher Educational Facilities Commission, Mortgage Revenue Bonds (University of Dayton Project), 6.60% due 12/01/2017 (c)	2,676
Oklahoma--0.5%	AAA	Aaa	4,655	Sapulpa, Oklahoma, Municipal Authority, Utility Revenue Refunding Bonds, 5.75% due 4/01/2023 (c)	4,506
Oregon--0.0%	A1+	VMIG1++	200	Port Saint Helen's, Oregon, PCR (Portland General Electric Company Project), VRDN, Series B, 4.10% due 6/01/2010 (a)	200
Pennsylvania --1.7%	AAA	Aaa	16,000	Montgomery County, Pennsylvania, IDA, PCR, Refunding (Philadelphia Electric Company), Series B, 6.70% due 12/01/2021 (d)	17,044
South Carolina--2.8%				South Carolina State Public Service Authority Revenue Bonds:	
	AAA	Aaa	4,850	Refunding, Series B, 5.875% due 1/01/2023 (c)	4,744
	AAA	Aaa	9,900	(Santee Cooper), Series D, 6.50% due 7/01/2014 (b)	10,550
	AAA	Aaa	7,000	Spartanburg County, South Carolina, Hospital Facilities Revenue Refunding Bonds (Spartanburg General Hospital System), Series A, 6.625% due 4/15/2022 (e)	7,309
	NR*	NR*	4,200	Spartanburg County, South Carolina, Solid Waste Disposal Facilities Revenue Bonds (BMW Project), AMT, 7.55% due 11/01/2024	4,522
Tennessee--1.1%	AAA	Aaa	3,820	Johnson City, Tennessee, Health and Educational Facilities Board, Hospital Revenue Refunding and Improvement Bonds (Johnson City Medical Center), 6.75% due 7/01/2016 (d)	4,070
	AAA	Aaa	3,000	Metropolitan Government, Nashville and Davidson County, Tennessee, Water and Sewer Revenue Bonds, RIB, 8.371% due 1/01/2022 (b)(i)	2,970
	A+	A1	3,900	Tennessee HDA, Mortgage Finance, AMT, Series A, 6.90% due 7/01/2025	4,006
Texas--9.2%	BBB	Baa2	3,700	Alliance Airport Authority, Inc., Texas, Special Facilities Revenue Bonds (Federal Express Corporation Project), AMT, 6.375% due 4/01/2021	3,636
	AAA	Aaa	2,800	Austin, Texas, Utility System Revenue Refunding Bonds, 5.50% due 5/15/2020 (d)	2,640
	AAA	Aaa	3,200	Bexar, Texas, Metropolitan Water District, Waterworks System Revenue Refunding Bonds, 6.35% due 5/01/2025 (d)	3,302
				Brazos River Authority, Texas, PCR (Texas Utilities Electric Company Project), AMT (b):	
	A1	VMIG1++	13,800	Refunding, VRDN, Series 96A, 4.25% due 3/01/2026 (a)	13,800
	AAA	Aaa	3,800	Series A, 6.75% due 4/01/2022	3,990
	A1+	VMIG1++	100	Harris County, Texas, Health Facilities Development Corporation, Special Facilities Revenue Bonds (Texas Medical Center Project), VRDN, 4.20% due 2/15/2022 (a)(d)	100

	AAA	Aaa	6,885	Houston, Texas, Airport System Revenue Bonds (Sub-Lien), AMT, Series A, 6.75% due 7/01/2021 (c)	7,182
	AAA	Aaa	4,750	Houston, Texas, Hotel Occupancy Tax, Revenue Refunding Bonds (Senior-Lien), 5.50% due 7/01/2015 (e)	4,512
	AAA	Aaa	11,795	Matagorda County, Texas, Navigation District No. 1, Revenue Refunding Bonds (Houston Light and Power), Series A, 6.70% due 3/01/2027 (b)	12,634
	NR*	VMIG1++	1,400	Port of Port Arthur, Texas, Navigation District, PCR, Refunding (Texaco Inc. Project), VRDN, 4.15% due 10/01/2024 (a)	1,400
	AAA	Aaa	10,000	San Antonio, Texas, Electric and Gas Revenue Bonds, Series 95, 5.375% due 2/01/2018 (d)	9,326
	AAA	Aaa	11,000	San Antonio, Texas, Hotel Occupancy Revenue Bonds (Henry B. Gonzalez Convention Center Project), 5.70% due 8/15/2026 (c)	10,541
	AAA	Aaa	20,180	Texas State Turnpike Authority, Dallas North Thruway Revenue Bonds (President George Bush Turnpike), 5.25% due 1/01/2023 (c)	18,326

</TABLE>

<TABLE>
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SCHEDULE OF INVESTMENTS (concluded) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Utah--2.3%	A1+	VMIG1++	$ 2,140	Emery County, Utah, PCR, Refunding (Pacificorp Projects), VRDN, 4.10% due 11/01/2024 (a)(b)	$ 2,140
	AA-	Aa	5,250	Intermountain Power Agency, Utah, Power Supply Revenue Refunding Bonds, Series D, 5% due 7/01/2023	4,493
	AAA	Aaa	10,000	Salt Lake City, Utah, Airport Revenue Bonds, AMT, Series A, 6.125% due 12/01/2022 (c)	9,980
	AAA	Aaa	7,000	Timpanagos Special Service District, Utah, Sewer Revenue Bonds, Series A, 6.10% due 6/01/2019 (b)	6,957
Virginia--1.8%	AAA	Aaa	5,540	Loudon County, Virginia, COP, 6.90% due 3/01/2019 (e)	5,953
	AAA	Aaa	5,890	Upper Occoquan Sewer Authority, Virginia, Regional Sewer Revenue Bonds, Series A, 5% due 7/01/2025 (d)	5,148
	AAA	Aaa	6,500	Virginia State HDA, Commonwealth Mortgage, AMT, Series A, Sub-Series A-4, 6.45% due 7/01/2028 (d)	6,590
Washington --5.4%	AAA	Aaa	1,200	Douglas County, Washington, Public Utility District No. 001, Revenue Bonds (Electric Distribution System), 6% due 1/01/2015 (d)	1,206
	AAA	Aaa	9,495	Port Seattle, Washington, Revenue Bonds (Sub-Lien), Series C, 6.625% due 8/01/2017 (d)	10,059
				Seattle, Washington, Metropolitan Seattle Municipality Sewer Revenue Bonds:	
	AAA	Aaa	10,560	Series U, 6.60% due 1/01/2032 (c)	11,158
	AAA	Aaa	1,750	Series W, 6.25% due 1/01/2022 (d)	1,791
	AAA	Aaa	5,000	Snohomish County, Washington, Public Utility District No. 001, Electric Revenue Bonds (Generation System), AMT, Series B, 5.80% due 1/01/2024 (d)	4,724
	AAA	Aaa	3,500	Tacoma, Washington, Refuse Utility Revenue Bonds, 7% due 12/01/2019 (b)	3,854
	AAA	Aaa	2,000	University of Washington Alumni Association, Lease Revenue Bonds (University of Washington Medical Center--Roosevelt II), 6.25% due 8/15/2012 (e)	2,064
	A+	A1	8,300	Washington State Health Care Facilities Authority Revenue Bonds (Children's Hospital and Medical Center), 6% due 10/01/2022	7,809
	AAA	Aaa	11,175	Washington State Public Power Supply Systems, Revenue Refunding Bonds (Nuclear Project No. 1), Series A, 6.25% due 7/01/2017 (d)	11,367
West Virginia--0.8%	AAA	Aaa	4,425	Harrison County, West Virginia, County Commission Solid Waste Disposal Revenue Bonds (Monongahela Power), AMT, Series C, 6.75% due 8/01/2024 (b)	4,697
	AAA	Aaa	2,800	West Virginia School Building Authority, Revenue and Capital Improvement Bonds, Series B, 6.75% due 7/01/2017 (d)	2,981
Wisconsin--0.8%	AA	Aa	2,000	Wisconsin, Housing and EDA, Home Ownership Revenue Bonds, AMT, Series B, 6.75% due 9/01/2025	2,040
				Wisconsin State Health and Educational Facilities Authority, Revenue Refunding Bonds (Wheaton--Franciscan Services) (d):	
	AAA	Aaa	3,955	6.50% due 8/15/2011	4,113
	AAA	Aaa	2,000	6% due 8/15/2015	1,964

Total Investments (Cost--$941,940)--97.7%	975,884
Other Assets Less Liabilities--2.3%	23,124

Net Assets--100.0%	$999,008
	========

<FN>
(a) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at April 30, 1996.
(b) AMBAC Insured.
(c) FGIC Insured.
(d) MBIA Insured.
(e) FSA Insured.
(f) BIG Insured.
(g) Escrowed to maturity.
(h) Prerefunded.
(i) The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at April 30, 1996.
(j) FNMA Collateralized.
(k) GNMA Collateralized.
*Not Rated.
++Highest short-term rating by Moody's Investors Service, Inc.
</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION

<TABLE>
Statement of Assets, Liabilities and Capital as of April 30, 1996

<S>	<C>	<C>	<C>
Assets:	Investments, at value (identified cost--$941,940,039) (Note 1a)		$ 975,884,449
	Cash		66,458
	Receivables:		
	Interest	$ 17,962,980	
	Securities sold	6,616,570	24,579,550

	Deferred organization expenses (Note 1e)		8,873
	Prepaid expenses and other assets		58,767

	Total assets		1,000,598,097

Liabilities:	Payables:		
	Dividends to shareholders (Note 1f)	1,036,870	
	Investment adviser (Note 2)	438,695	1,475,565

	Accrued expenses and other liabilities		114,956

	Total liabilities		1,590,521

Net Assets:	Net assets		$ 999,007,576
			==============
Capital:	Capital Stock (200,000,000 shares authorized) (Note 4):		
	Preferred Stock, par value $.10 per share (12,800 shares of AMPS* issued and outstanding at $25,000 per share liquidation preference)		$ 320,000,000
	Common Stock, par value $.10 per share (45,187,339 shares issued and outstanding)	$ 4,518,734	
	Paid-in capital in excess of par	630,233,103	
	Undistributed investment income--net	8,124,513	
	Undistributed realized capital gains on investments--net	2,186,816	
	Unrealized appreciation on investments--net	33,944,410	

	Total--Equivalent to $15.03 net asset value per Common Stock (market price--$13.75)		679,007,576

	Total capital		$ 999,007,576
			==============

<FN>
*Auction Market Preferred Stock.
</TABLE>

See Notes to Financial Statements.

PORTFOLIO ABBREVIATIONS

To simplify the listings of MuniYield Insured Fund II, Inc.'s portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list below and at right.

AMT	Alternative Minimum Tax (subject to)
COP	Certificates of Participation
CP	Commercial Paper
GO	General Obligations
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDR	Industrial Development Revenue Bonds
M/F	Multi-Family
PCR	Pollution Control Revenue Bonds
RAN	Revenue Anticipation Notes
RAW	Revenue Anticipation Warrants
RIB	Residual Interest Bonds
S/F	Single-Family
SAVRS	Select Auction Variable Rate Securities
UT	Unlimited Tax
VRDN	Variable Rate Demand Notes

PORTFOLIO ABBREVIATIONS

To simplify the listings of MuniYield Insured Fund II, Inc.'s portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list below and at right.

ACES SM	Adjustable Convertible Extendable Securities
AMT	Alternative Minimum Tax (subject to)
COP	Certificates of Participation
DATES	Daily Adjustable Tax-Exempt Securities
GO	General Obligation Bonds
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDR	Industrial Development Revenue Bonds
M/F	Multi-Family
PCR	Pollution Control Revenue Bonds
RIB	Residual Interest Bonds
S/F	Single-Family
UT	Unlimited Tax
VRDN	Variable Rate Demand Notes

FINANCIAL INFORMATION (continued)

Statement of Operations

		For the Six Months Ended April 30, 1996	
Investment Income (Note 1d):	Interest and amortization of premium and discount earned		$ 29,890,556
Expenses:	Investment advisory fees (Note 2)	$ 2,550,693	
	Commission fees (Note 4)	396,667	
	Transfer agent fees	63,880	

	Professional fees	48,237	
	Accounting services (Note 2)	45,036	
	Directors' fees and expenses	39,361	
	Printing and shareholder reports	33,904	
	Custodian fees	28,739	
	Listing fees	22,773	
	Pricing fees	12,296	
	Amortization of organization expenses (Note 1e)	3,128	
	Other	33,541	
	Total expenses		3,278,255
	Investment income--net		26,612,301
Realized & Unrealized Gain (Loss) on Investments--Net (Notes 1b, 1d & 3):	Realized gain on investments--net		10,345,853
	Change in unrealized appreciation on investments--net		(25,710,160)
	Net Increase in Net Assets Resulting from Operations		$ 11,247,994

</TABLE>

<TABLE>
<CAPTION>
Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:		For the Six Months Ended April 30, 1996	For the Year Ended October 31, 1995
<S>	<C>	<C>	<C>
Operations:	Investment income--net	$ 26,612,301	$ 54,442,202
	Realized gain (loss) on investments--net	10,345,853	(1,207,134)
	Change in unrealized appreciation/depreciation on investments--net	(25,710,160)	76,204,182
	Net increase in net assets resulting from operations	11,247,994	129,439,250
Dividends & Distributions to Shareholders (Note 1f):	Investment income--net:		
	Common Stock	(20,873,432)	(41,768,871)
	Preferred Stock	(4,828,152)	(12,703,005)
	Realized gain on investments--net:		
	Common Stock	(3,872,510)	(158,132)
	Preferred Stock	(1,178,380)	(26,101)
	In excess of realized gain on investments--net:		
	Common Stock	--	(1,631,693)
	Preferred Stock	--	(269,320)
	Net decrease in net assets resulting from dividends and distributions to shareholders	(30,752,474)	(56,557,122)
Net Assets:	Total increase (decrease) in net assets	(19,504,480)	72,882,128
	Beginning of period	1,018,512,056	945,629,928
	End of period*	$ 999,007,576	$1,018,512,056

<FN>
*Undistributed investment income--net $ 8,124,513 $ 7,213,796

</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION (concluded)

<TABLE>
<CAPTION>
Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements.	For the Six Months Ended	For the Period March 27, 1992++ to

Increase (Decrease)	in Net Asset Value:	April 30, 1996	For the Year Ended October 31, 1995	1994	1993	Oct. 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:	Net asset value, beginning of period	$ 15.46	$ 13.85	$ 16.76	$ 14.27	$ 14.18
	Investment income--net	.59	1.20	1.20	1.21	.66
	Realized and unrealized gain (loss) on investments--net	(.33)	1.66	(2.66)	2.59	.16
	Total from investment operations	.26	2.86	(1.46)	3.80	.82
	Less dividends and distributions to Common Stock shareholders:					
	Investment income--net	(.46)	(.92)	(.98)	(1.00)	(.48)
	Realized gain on investments--net	(.09)	(.00)+++	(.26)	(.10)	--
	In excess of realized gains on investments--net	--	(.04)	--	--	--
	Total dividends and distributions to Common Stock shareholders	(.55)	(.96)	(1.24)	(1.10)	(.48)
	Capital charge resulting from issuance of Common Stock	--	--	--	--	(.01)
	Effect of Preferred Stock activity:++++					
	Dividends and distributions to Preferred Stock shareholders:					
	Investment income--net	(.11)	(.28)	(.17)	(.19)	(.10)
	Realized gain on investments--net	(.03)	(.00)+++	(.04)	(.02)	--
	In excess of realized gains on investments--net	--	(.01)	--	--	--
	Capital charge resulting from issuance of Preferred Stock	--	--	--	--	(.14)
	Total effect of Preferred Stock activity	(.14)	(.29)	(.21)	(.21)	(.24)
	Net asset value, end of period	$ 15.03	$ 15.46	$ 13.85	$ 16.76	$ 14.27
	Market price per share, end of period	$ 13.75	$ 13.625	$ 11.625	$ 15.875	$ 14.875
Total Investment Return:**	Based on market price per share	4.88%+++++	26.09%	(20.23%)	14.51%	2.46%+++++
	Based on net asset value per share	1.03%+++++	20.09%	(9.98%)	26.01%	3.97%+++++
Ratios to Average Net Assets:***	Expenses, net of reimbursement	.64%*	.65%	.66%	.65%	.47%*
	Expenses	.64%*	.65%	.66%	.65%	.66%*
	Investment income--net	5.20%*	5.55%	5.35%	5.35%	5.69%*
Supplemental Data:	Net assets, net of Preferred Stock, end of period (in thousands)	$679,008	$698,512	$625,630	$757,138	$638,150
	Preferred Stock outstanding, end of period (in thousands)	$320,000	$320,000	$320,000	$320,000	$320,000
	Portfolio turnover	46.42%	59.71%	45.71%	39.93%	21.89%
Leverage:	Asset coverage per $1,000	$ 3,122	$ 3,183	2,955	$ 3,366	$ 2,994
Dividends Per Share on Preferred Stock Outstanding:++++++	Series A--Investment income--net	$ 360	$ 1,043	$ 1,184	$ 1,150	$ 688
	Series B--Investment income--net	$ 363	$ 1,043	$ 1,090	$ 1,253	$ 656
	Series C--Investment income--net	$ 368	$ 1,042	$ 1,278	$ 1,175	$ 659
	Series D--Investment income--net	$ 362	$ 950	$ 1,144	$ 1,426	$ 767
	Series E--Investment income--net	$ 408	$ 933	$ 1,282	$ 1,492	$ 766

<FN>

*Annualized.

**Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales loads.

***Do not reflect the effect of dividends to Preferred Stock shareholders.

++Commencement of Operations.

++++The Fund's Preferred Stock was issued on May 22, 1992.

++++++Dividends per share have been adjusted to reflect a two-for-one stock split that occurred on December 1, 1994.

+++Amount less than $.01 per share.

+++++Aggregate total investment return.

</TABLE>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:
MuniYield Insured Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a non-diversified, closed-end management investment company. These unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. All such adjustments are of a normal recurring nature. The Fund determines and makes available for publication the net asset value of its Common Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol MYI. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Municipal bonds are traded primarily in the over-the-counter markets and are valued at the most recent bid price or yield equivalent as obtained by the Fund's pricing service from dealers that make markets in such securities. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges or, lacking any sales, at the last available bid price. Securities with remaining maturities of sixty days or less are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by a pricing service retained by the Fund, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Board of Directors.

(b) Derivative financial instruments--The Fund may engage in various portfolio strategies to seek to increase its return by hedging its portfolio against adverse movements in the debt markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

* Financial futures contracts--The Fund may purchase or sell interest rate futures contracts and options on such futures contracts for the purpose of hedging the market risk on existing securities or the intended purchase of securities. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

* Options--The Fund is authorized to write covered call options and purchase put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset

and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written.

When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired, or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

(c) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates).

Interest income is recognized on the accrual basis. Discounts and market premiums are amortized into interest income. Realized gains and losses on security transactions are determined on the identified cost basis.

(e) Deferred organization expenses--Deferred organization expenses are amortized on a straight-line basis over a five-year period.

(f) Dividends and distributions--Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. Distributions in excess of realized capital gains are due primarily to differing tax treatments for future transactions and post-October losses.

2. Investment Advisory Agreement and Transactions with Affiliates:
The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of 0.50% of the Fund's average weekly net assets.

Accounting services are provided to the Fund by FAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, PSI, Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S"), and/or ML & Co.

3. Investments:
Purchases and sales of investments, excluding short-term securities, for the six months ended April 30, 1996 were $454,588,870 and $491,596,635, respectively.

Net realized and unrealized gains as of April 30, 1996 were as follows:

<TABLE>
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<S>	Realized Gains <C>	Unrealized Gains <C>
Long-term investments	$ 5,146,283	$33,944,410
Short-term investments	3,007	--
Financial futures contracts	5,196,563	--
	-----------	-----------

Total	$10,345,853	$33,944,410
	===========	===========

</TABLE>

As of April 30, 1996, net unrealized appreciation for Federal income tax purposes aggregated $33,944,410, of which $37,489,277 related to appreciated securities and $3,544,867 related to depreciated securities. The aggregate cost of April 30, 1996 for Federal income tax purposes was $941,940,039.

4. Capital Stock Transactions:
The Fund is authorized to issue 200,000,000 shares of capital stock, including Preferred Stock, par value $.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to reclassify any unissued shares of capital stock without approval of the holders of Common Stock.

Common Stock
For the six months ended April 30, 1996, shares issued and outstanding remained constant at 45,187,339. At April 30, 1996, total paid-in capital amounted to $634,751,837.

Preferred Stock
Auction Market Preferred Stock ("AMPS") are shares of Preferred Stock of the Fund that entitle their holders to receive cash dividends at an annual rate that may vary for the successive dividend periods. The yields in effect at April 30, 1996 were as follows: Series A, 3.65%; Series B, 3.62%; Series C, 3.63%; Series D, 3.47%; and Series E, 3.85%.

As of April 30, 1996, there were 12,800 AMPS shares authorized, issued and outstanding with a liquidation preference of $25,000 per share.

The Fund pays commissions to certain broker-dealers at the end of each auction at an annual rate ranging from 0.25% to 0.375%, calculated on the proceeds of each auction. For the six months ended April 30, 1996, MLPF&S, an affiliate of FAM, earned $228,545 as commissions.

5. Subsequent Event:
On May 10, 1996, the Fund's Board of Directors declared an ordinary income dividend to Common Stock shareholders in the amount of $0.073902 per share, payable on May 30, 1996, to shareholders of record as of May 21, 1996.

AUDITED FINANCIAL STATEMENTS FOR INSURED II
FOR THE FISCAL YEAR ENDED OCTOBER 31, 1995

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors,
MuniYield Insured Fund II, Inc.

We have audited the accompanying statement of assets, liabilities and capital of MuniYield Insured Fund II, Inc., including the schedule of investments, as of October 31, 1995, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and financial highlights for each of the periods indicated therein. 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.

We conducted our audits in accordance with generally accepted auditing standards. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1995 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 MuniYield Insured Fund II, Inc. at October 31, 1995, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and financial highlights for each of the indicated periods, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Princeton, New Jersey
December 1, 1995

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Alabama--0.7%	AAA	Aaa	$ 2,500	Huntsville, Alabama, Health Care Authority, Health Care Facilities Revenue Bonds, Series B, 6.625% due 6/01/2023 (d)	$ 2,678
Alaska--1.3%	AAA	Aaa	4,875	Alaska State Housing Finance Corporation, Series A, 5.875% due 12/01/2024 (d)	4,772
Arizona--1.0%	A1+	P1	2,100	Maricopa County, Arizona, PCR, Refunding (Arizona Public Service Co.), VRDN, Series C, 4% due 5/01/2029 (a)	2,100
	NR*	NR*	1,500	Mohave County, Arizona, IDA, IDR (North Star Steel Co. Project), AMT, 6.70% due 3/01/2020	1,604
California --14.8%	AAA	Aaa	3,000	Anaheim, California, Public Financing Authority Revenue Bonds (Electric Utility-San Juan 4), 2nd Series, 5.75% due 10/01/2022 (c)	2,947
	AAA	Aaa	1,500	California HFA, Home Mortgage Revenue Bonds, Series F, 6% due 8/01/2017 (d)	1,493
	AAA	Aaa	5,000	California State Public Works Board, Lease Revenue Bonds (Various Universities of California Projects), Series A, 6.40% due 12/01/2016 (b)	5,285
				California State, RAW, Series C:	
	SP-1	MIG1++	500	5.75% due 4/25/1996	505
	AAA	Aaa	3,550	5.75% due 4/25/1996 (c)	3,579
	AAA	Aaa	3,000	California State Various Purpose Bonds, 5.90% due 4/01/2023 (c)	3,004
	AAA	Aaa	1,575	Cerritos, California, Public Financing Authority Revenue Bonds (Los Coyotes Redevelopment Project Loan), Series A, 5.75% due 11/01/2022 (b)	1,558
	AAA	Aaa	2,390	Fresno, California, Health Facilities, Revenue Refunding Bonds (Holy Cross Health), Series A, 5.625% due 12/01/2018 (d)	2,325
	AAA	Aaa	3,330	Los Angeles, California, Harbor Department Revenue Bonds, AMT, Series B, 6.625% due 8/01/2019 (b)	3,549
	AAA	Aaa	5,000	Los Angeles County, California, COP (Correctional Facilities Project), 6.50% due 9/01/2013 (d)	5,255
	AAA	Aaa	5,000	Los Angeles County, California, Metropolitan Transportation Authority, Sales Tax Revenue Refunding Bonds, Proposition A, Series A, 5.625% due 7/01/2018 (d)	4,927
	AAA	Aaa	3,000	Sacramento, California, Municipal Utility District, Electric Revenue Bonds, Series I, 6% due 1/01/2024 (d)	3,029

</TABLE>

<TABLE>
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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
California (concluded)	AAA	Aaa	$ 2,500	San Francisco, California, City and County Airport Commission, Revenue Bonds (International Airport), UT, Second Series, Issue 8-B, 6.10% due 5/01/2025 (c)	$ 2,545
	AAA	Aaa	5,000	San Francisco, California, City and County, COP (San Francisco Courthouse Project), 5.875% due 4/01/2021 (e)	5,002
	AAA	Aaa	2,000	San Francisco, California, City and County Sewer Revenue Refunding Bonds, 5.375% due 10/01/2022 (c)	1,911
	AAA	Aaa	2,000	Santa Clara County, California, Financing Authority, Lease Revenue Bonds (VMC Facility Replacement Project), Series A, 6.75% due 11/15/2020 (b)	2,180
	AAA	Aaa	3,295	Santa Rosa, California, Wastewater Revenue Refunding Bonds, Series B, 6.125% due 9/01/2017 (c)	3,393
	AAA	Aaa	2,500	Southern California Public Power Authority, Power Project Revenue Bonds (San Juan Unit 3), Series A, 5% due 1/01/2020 (d)	2,257
Colorado--2.9%	A-1	Aa3	200	Colorado HFA, M/F Revenue Bonds (Central Park Coven & Greenwood), VRDN, 4% due 5/01/1997 (a)	200
	AA	Aa	7,500	Colorado Springs, Colorado, Utilities Revenue Bonds, Series A, 6.10% due 11/15/2024	7,692
	AAA	Aaa	2,500	Garfield Pitkin and Eagle Counties, Colorado, School District No. 1, UT, 6.60% due 12/15/2014 (d)	2,720
Connecticut --3.4%	A-1	VMIG1++	300	Connecticut State Economic Recovery Notes, VRDN, Series B, 3.90% due 6/01/1996 (a)	300
	AA-	A1	1,035	Connecticut State Health and Educational Facilities Authority Revenue Bonds (Nursing Home Program-AHF/Windsor Project), 7.125% due 11/01/2024	1,165
	AAA	Aaa	8,000	Connecticut State HFA, Revenue Bonds (Housing Mortgage Finance Program), Series B, 6.75% due 11/15/2023 (d)	8,374
	A1+	VMIG1++	100	Connecticut State Special Assessment Unemployment Compensation, Advanced Fund Revenue Bonds (Connecticut Unemployment), VRDN, Series B, 3.95% due 11/01/2001(a)	100
	AAA	Aaa	2,760	Connecticut State Special Tax Obligation Revenue Bonds (Transportation Infrastructure), Series A, 5.60% due 6/01/2015 (c)	2,753
District of Columbia--0.1%	A1+	VMIG1++	200	District of Columbia, General Fund Recovery Bonds, VRDN, UT, Series B, 4.30% due 6/01/2003 (a)	200
Florida--1.6%	AAA	Aaa	6,000	Florida State Department of Transportation (Right of Way), 5.875% due 7/01/2024 (d)	6,059
Georgia--3.9%	AAA	Aaa	4,700	Albany, Georgia, Sewer System Revenue Bonds, 6.70% due 7/01/2022 (d)	5,112
	AAA	Aaa	2,000	Chatam County, Georgia, School District Revenue Bonds, UT, 6.75% due 8/01/2018 (d)	2,209
	AAA	Aaa	2,590	Marietta, Georgia, Development Authority, Revenue Refunding Bonds (First Mortgage-Life College), Series A, 6.25% due 9/01/2025 (e)	2,675
	A+	A3	2,000	Monroe County, Georgia, Development Authority, PCR, Refunding (Oglethorpe Power Scherer), Series A, 6.80% due 1/01/2012	2,242
	AAA	Aaa	2,000	Municipal Electric Authority, Georgia, Project One, Sub-Series A, 6.50% due 1/01/2026 (b)	2,127
Hawaii--1.7%	AAA	Aaa	6,000	Hawaii State Airport System Revenue Bonds, AMT, Second Series, 7% due 7/01/2018 (d)	6,499

</TABLE>

<TABLE>
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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Illinois--10.5%	AAA	Aaa	$ 3,870	Chicago, Illinois, O'Hare International Airport, Special	

				Facilities Revenue Bonds (International Terminal), AMT, 6.75% due 1/01/2018 (d)	$ 4,080
				Chicago, Illinois, Wastewater Transmission Revenue Bonds:	
	AAA	Aaa	10,375	6.35% due 1/01/2022 (c)	10,768
	AAA	Aaa	6,000	6.375% due 1/01/2024 (d)	6,270
				Illinois Health Facilities Authority Revenue Bonds:	
	A1+	VMIG1++	200	(Northwest Community Hospital), VRDN, 4% due 7/01/2025 (a)	200
	AAA	Aaa	3,000	(Servantcor Project), Series A, 6.375% due 8/15/2021 (e)	3,105
	AAA	Aaa	9,200	Metropolitan Pier and Exposition Authority, Illinois, Dedicated State Tax Revenue Bonds (McCormick Expansion Project), Series A, 6.50% due 6/15/2027 (b)	9,760
	AAA	Aaa	4,000	Regional Transportation Authority, Illinois, Series A, 7.20% due 11/01/2020 (b)	4,800
Indiana--1.6%	AAA	Aaa	2,400	Indiana State Vocational Technical College, Building Facilities Refunding Bonds (Student Fee), Series D, 6.50% due 7/01/2014 (b)	2,565
	A+	NR*	3,000	Indianapolis, Indiana, Local Public Improvement Bond Bank, Refunding Bonds, Series D, 6.75% due 2/01/2020	3,202
Iowa--1.2%	AAA	Aaa	4,110	Iowa Financing Authority, S/F Mortgage Revenue Refunding Bonds, Series F, 6.35% due 7/01/2009 (b)	4,423
Kansas--1.3%	AAA	Aaa	5,000	Kansas State Turnpike Authority, Revenue Refunding Bonds, 5.25% due 9/01/2017 (b)	4,830
Maryland--0.6%	NR*	Aa	2,085	Maryland State Community Development Administration, M/F Housing Revenue Bonds (Department of Housing and Community Development), Series C, 6.65% due 5/15/2025	2,163
Massachusetts --5.0%	A+	Aaa	3,000	Massachusetts Bay Transportation Authority, Massachusetts General Transportation, Series B, 5.375% due 3/01/2020 (b)	2,895
				Massachusetts State Health and Educational Facilities Authority Revenue Bonds:	
	AAA	Aaa	5,000	(Massachusetts General Hospital), Series F, 6.25% due 7/01/2020 (b)	5,135
	AAA	Aaa	10,000	(Northeastern University), Series E, 6.55% due 10/01/2022 (d)	10,717
Michigan--2.2%	AAA	Aaa	2,750	Caledonia, Michigan, Community Schools, Revenue Refunding Bonds, UT, 6.625% due 5/01/2014 (b)	2,961
	BBB	Baa1	1,750	Michigan State, Hospital Financing Authority, Revenue Refunding Bonds (Pontiac Osteopathic), Series A, 6% due 2/01/2024	1,555
	AAA	Aaa	3,500	Monroe County, Michigan, PCR (Detroit Edison Company), AMT, Series I-B, 6.55% due 9/01/2024 (d)	3,686
Minnesota--1.3%	A-	A	4,500	Minneapolis and St. Paul, Minnesota, Housing and Redevelopment Authority, Health Care System Revenue Bonds (Group Health Plan Incorporated Project), 6.90% due 12/01/2022	4,793
Mississippi --1.2%	AAA	Aaa	3,930	Mississippi Hospital Equipment and Facilities Authority, Revenue Refunding Bonds (Baptist Medical Center), 6.50% due 5/01/2011 (d)	4,298
Missouri--0.9%	AAA	Aaa	3,000	Kansas City, Missouri, Airport General Revenue Improvement Bonds, Series B, 6.875% due 9/01/2014 (e)	3,295
Nevada--2.9%	AAA	Aaa	5,000	Washoe County, Nevada, Gas Facility Revenue Bonds (Sierra Pacific Power), AMT, 6.55% due 9/01/2020 (d)	5,298
	AAA	Aaa	5,000	Washoe County, Nevada, Water Facility Revenue Bonds (Sierra Pacific Power), AMT, 6.65% due 6/01/2017 (d)	5,368

</TABLE>

<TABLE>
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SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
New Jersey --2.0%	AAA	Aaa	$ 4,500	New Jersey State Housing and Mortgage Finance Agency Revenue Bonds (Home Buyer), AMT, Series K, 6.375% due 10/01/2026 (d)	$ 4,581
	AAA	Aaa	3,000	New Jersey State Transportation Trust Fund Authority, Refunding Bonds (Transportation System), Series A, 5.25% due 6/15/2014 (d)	2,903

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value
New Mexico--2.2%	AAA	Aaa	5,750	Gallup, New Mexico, PCR, Refunding (Plains Electric Generation), 6.65% due 8/15/2017 (d)	6,203
	AAA	Aaa	2,250	Las Cruces, New Mexico, Revenue Bonds, AMT, 5.50% due 12/01/2015 (d)	2,150
New York--3.0%	BBB+	Baa1	3,000	New York City, New York, GO, Series D, 6% due 2/15/2015	2,956
				New York City, New York, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds:	
	AAA	Aaa	2,000	Series B, 5.375% due 6/15/2019 (b)	1,926
	AAA	VMIG1++	500	VRDN, Series G, 3.90% due 6/15/2024 (a)(c)	500
	SP1+	MIG1++	1,000	New York City, New York, RAN, CP, Series A, 4.50% due 4/11/1996	1,003
	A1+	NR*	200	New York State Energy Research and Development Authority, PCR (Niagara Power Corporation Project), VRDN, AMT, Series B, 3.95% due 7/01/2027 (a)	200
	BBB	Baa1	4,145	New York State Urban Development Corporation Revenue Bonds (State Facilities), 7.50% due 4/01/2020	4,621
Ohio--0.8%	AAA	Aaa	2,500	North Canton, Ohio, City School District Improvement Bonds, UT, 6.70% due 12/01/2019 (b)	2,800
Oregon--0.5%	AA-	Aa	2,000	Oregon State Veterans Welfare, Series 75, 5.875% due 10/01/2018	1,997
Pennsylvania--3.2%	NR*	Aa2	4,000	Pennsylvania, HFA, RIB, AMT, 8.111% due 4/01/2025	3,955
	AAA	Aaa	2,670	Philadelphia, Pennsylvania, Water and Wastewater Revenue Bonds, 5.60% due 8/01/2018 (d)	2,639
	AAA	Aaa	5,425	Pittsburgh, Pennsylvania, Water and Sewer Authority, Water and Sewer Systems Revenue Bonds, Series B, 5.75% due 9/01/2025 (f)	5,364
South Carolina--3.4%	AAA	Aaa	10,000	Piedmont, South Carolina, Municipal Power Agency, Electric Revenue Refunding Bonds, 6.30% due 1/01/2022 (d)	10,336
	AAA	Aaa	2,000	South Carolina State Public Service Authority Revenue Bonds (Santee Cooper), Series D, 6.50% due 7/01/2014 (b)	2,141
Tennessee--1.4%				Metropolitan Government, Nashville and Davidson County, Tennessee, Water and Sewer Revenue Bonds (b):	
	AAA	Aaa	2,000	RIB, 8.054% due 1/01/2022 (g)	2,058
	AAA	Aaa	2,000	SAVRS, 4.04% due 1/01/2022 (a)	2,000
	A+	A1	1,000	Tennessee, HDA, Mortgage Finance, AMT, Series A, 6.90% due 7/01/2025	1,039
Texas--13.5%	AAA	Aaa	2,000	Austin, Texas, Airport System Revenue Bonds (Prior Lien), AMT, Series A, 6.125% due 11/15/2025 (d)	2,023
	AAA	Aaa	11,500	Brazos River Authority, Texas, PCR, Refunding (Collateral--Texas Utilities Electric Company Project), AMT, 6.50% due 12/01/2027 (b)	12,212
				Brazos River Authority, Texas, PCR (Texas Utilities Electric Co.), VRDN, AMT (a):	
	A1+	VMIG1++	2,400	Refunding, Series C, 4.05% due 6/01/2030	2,400
	NR*	Ba2	2,200	Series A, 4.05% due 4/01/2030	2,200
	AAA	Aaa	7,000	Brazos River Authority, Texas, Revenue Refunding Bonds (Houston Light & Power), Series A, 6.70% due 3/01/2017 (b)	7,645
	AAA	Aaa	4,500	Harris County, Texas, Health Facilities Development Corporation, Hospital Revenue Bonds (Hermann Hospital Project), 6.375% due 10/01/2024 (d)	4,695

</TABLE>

<TABLE>
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SCHEDULE OF INVESTMENTS (concluded) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Texas (concluded)				Houston, Texas, Water and Sewer System Revenue Bonds, Junior Lien, Series A (d):	
	AAA	Aaa	$ 5,565	6.375% due 12/01/2022	$ 5,820
	AAA	Aaa	3,200	Refunding, 6.20% due 12/01/2020	3,314
	AAA	Aaa	1,500	Sabine River Authority, Texas, PCR, Refunding (Texas Utilities Electric Company Project), 6.55% due 10/01/2022 (c)	1,597
				San Antonio, Texas, Electric and Gas Revenue Bonds, Series 95 (d):	

	AAA	Aaa	3,000	5.375% due 2/01/2017	2,898
	AAA	Aaa	1,500	5.375% due 2/01/2018	1,448
	NR*	VMIG1++	3,900	Southwest Texas, Higher Education Authority Incorporated, Revenue Refunding Bonds (Southern Methodist University), VRDN, 3.90% due 7/01/2015 (a)	3,900
Virginia--1.7%				Virginia State, HDA, Commonwealth Mortgage:	
	AAA	Aaa	2,500	AMT, Series A, Sub-Series A-4, 6.45% due 7/01/2028 (d)	2,550
	AA+	Aa1	3,500	Series J, Sub-Series J-2, 6.75% due 7/01/2017	3,647
Washington--8.6%				Seattle, Washington, Municipal Light and Power Revenue Bonds, Series A (d):	
	AAA	Aaa	1,185	5.625% due 9/01/2017	1,173
	AAA	Aaa	1,480	5.625% due 9/01/2018	1,464
				Seattle, Washington, Municipality Metropolitan, Sewer Revenue Bonds:	
	AAA	Aaa	1,500	Refunding, Series X, 5.50% due 1/01/2016 (c)	1,468
	AAA	Aaa	1,465	Series W, 6.25% due 1/01/2021 (d)	1,507
	AAA	Aaa	11,000	Spokane County, Washington, Lease Revenue Refunding Bonds (Multi-Purpose Arena Project), AMT, Series A, 6.60% due 1/01/2014 (b)	11,631
	AAA	Aaa	2,500	Tacoma, Washington, Refuse Utility Revenue Bonds, 7% due 12/01/2019 (b)	2,792
	AAA	Aaa	2,500	Washington State, Health Care Facilities Authority Revenue Bonds (Virginia Mason Obligation Group, Seattle), 6.30% due 2/15/2017 (d)	2,563
				Washington State Public Power Supply Systems, Revenue Refunding Bonds (d):	
	AAA	Aaa	4,000	(Nuclear Project No. 1), Series A, 6.25% due 7/01/2017	4,110
	AAA	Aaa	1,500	(Nuclear Project No. 3), Series C, 7.50% due 7/01/2008	1,792
	AA	Aa	3,600	Washington State, UT, Series 93-A, 5.75% due 10/01/2017	3,564
Wisconsin --1.1%	AAA	Aaa	4,500	Wisconsin State Health and Educational Facilities Authority Revenue Bonds (Waukesha Memorial Hospital), Series A, 5.25% due 8/15/2019 (b)	4,139
Total Investments (Cost--$356,835)--101.5%					376,416
Liabilities in Excess of Other Assets--(1.5%)					(5,726)

Net Assets--100.0%					$370,690
					========

<FN>
(a)The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at October 31, 1995.
(b)AMBAC Insured.
(c)FGIC Insured.
(d)MBIA Insured.
(e)CGIC Insured.
(f)FSA Insured.
(g)The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at October 31, 1995.
*Not Rated.
++Highest short-term rating by Moody's Investors Service, Inc.

Ratings of issues shown have not been audited by Ernst & Young LLP.
</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION

<TABLE>
Statement of Assets, Liabilities and Capital as of October 31, 1995

<S>	<C>	<C>	<C>
Assets:	Investments, at value (identified cost--$356,835,346) (Note 1a)		$ 376,415,510
	Cash		31,687
	Receivables:		
	Securities sold	$ 6,785,789	
	Interest	6,356,052	13,141,841

	Deferred organization expenses (Note 1e)		14,956
	Prepaid expenses and other assets		20,204
	Total assets		389,624,198
Liabilities:	Payables:		
	Securities purchased	18,392,702	
	Dividends to shareholders (Note 1f)	330,156	
	Investment adviser (Note 2)	161,755	18,884,613
	Accrued expenses and other liabilities		49,833
	Total liabilities		18,934,446
Net Assets:	Net assets		$ 370,689,752
Capital:	Capital Stock (200,000,000 shares authorized) (Note 4):		
	Preferred Stock, par value $.10 per share (4,800 shares of AMPS* issued and outstanding at $25,000 per share liquidation preference)		$ 120,000,000
	Common Stock, par value $.10 per share (16,420,827 shares issued and outstanding)	$ 1,642,083	
	Paid-in capital in excess of par	228,565,325	
	Undistributed investment income--net	2,403,790	
	Accumulated realized capital losses on investments--net	(822,378)	
	Accumulated distributions in excess of realized capital gains--net	(679,232)	
	Unrealized appreciation on investments--net	19,580,164	
	Total--Equivalent to $15.27 net asset value per share of Common Stock (market price--$13.125)		250,689,752
	Total capital		$ 370,689,752

<FN>
*Auction Market Preferred Stock.

</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION (continued)

<TABLE>
<CAPTION>
Statement of Operations

<S>	<C>	<C>	<C> For the Year Ended October 31, 1995
Investment Income (Note 1d):	Interest and amortization of premium and discount earned		$ 21,936,133
Expenses:	Investment advisory fees (Note 2)	$ 1,783,002	
	Commission fees (Note 4)	338,387	
	Professional fees	78,292	
	Transfer agent fees	69,994	
	Accounting services (Note 2)	54,216	
	Printing and shareholder reports	26,741	
	Listing fees	24,991	
	Directors' fees and expenses	22,606	
	Custodian fees	20,468	
	Pricing fees	12,644	
	Amortization of organization expenses (Note 1e)	7,478	
	Other	16,093	
	Total expenses		2,454,912
	Investment income--net		19,481,221
Realized & Unrealized Gain	Realized loss on investments--net		(816,424)
	Change in unrealized appreciation/depreciation on		

(Loss) on Investments--Net (Notes 1b, 1d & 3):	investments--net	31,718,726
	Net Increase in Net Assets Resulting from Operations	$ 50,383,523

</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION (continued)

<TABLE>
<CAPTION>
Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:		For the Year Ended October 31, 1995	1994
<S>	<C>	<C>	<C>
Operations:	Investment income--net	$ 19,481,221	$ 19,372,697
	Realized gain (loss) on investments--net	(816,424)	686,231
	Change in unrealized appreciation/depreciation on investments--net	31,718,726	(48,661,875)
	Net increase (decrease) in net assets resulting from operations	50,383,523	(28,602,947)
Dividends & Distributions to Shareholders (Note 1f):	Investment income--net:		
	Common Stock	(14,703,701)	(15,824,435)
	Preferred Stock	(4,452,300)	(2,951,808)
	Realized gain on investments--net:		
	Common Stock	(581,683)	(4,174,364)
	Preferred Stock	(104,543)	(777,156)
	In excess of realized gain on investments--net:		
	Common Stock	(575,755)	--
	Preferred Stock	(103,477)	--
	Net decrease in net assets resulting from dividends and distributions to shareholders	(20,521,459)	(23,727,763)
Capital Stock Transactions (Notes 1e & 4):	Value of shares issued to Common Stock Shareholders in reinvestment of dividends and distributions	--	491,846
	Offering costs resulting from the issuance of Preferred Stock	--	27,598
	Net increase in net assets derived from capital stock transactions	--	519,444
Net Assets:	Total increase (decrease) in net assets	29,862,064	(51,811,266)
	Beginning of year	340,827,688	392,638,954
	End of year*	$ 370,689,752	$ 340,827,688
	<FN>		
	*Undistributed investment income--net (Note 1g)	$ 2,403,790	$ 2,072,616

</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION (concluded)

<TABLE>
<CAPTION>
Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements.	For the Year Ended	For the Period Oct. 30, 1992++ to

Increase (Decrease) in Net Asset Value:		October 31, 1995	1994	1993	Oct. 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:	Net asset value, beginning of period	$ 13.45	$ 16.63	$ 14.15	$ 14.18
	Investment income--net	1.19	1.18	1.15	--
	Realized and unrealized gain (loss) on investments --net	1.88	(2.92)	2.53	--
	Total from investment operations	3.07	(1.74)	3.68	--
	Less dividends and distributions to Common Stock shareholders:				
	Investment income--net	(.90)	(.96)	(.88)	--
	Realized gain on investments--net	(.04)	(.25)	--	--
	In excess of realized gain on investments--net	(.03)	--	--	--
	Total dividends and distributions to Common Stock shareholders	(.97)	(1.21)	(.88)	--
	Capital charge resulting from issuance of Common Stock	--	--	--	(.03)
	Effect of Preferred Stock activity:++++				
	Dividends and distributions to Preferred Stock shareholders:				
	Investment income--net	(.27)	(.18)	(.18)	--
	Realized gain on investments--net	(.01)	(.05)	--	--
	In excess of realized gain on investments--net	--+++	--	--	--
	Capital charge resulting from issuance of Preferred Stock	--	--	(.14)	--
	Total effect of Preferred Stock activity	(.28)	(.23)	(.32)	--
	Net asset value, end of period	$ 15.27	$ 13.45	$ 16.63	$ 14.15
	Market price per share, end of period	$ 13.125	$ 11.375	$ 15.875	$ 15.00
Total Investment Return:*	Based on market price per share	24.33%	(21.92%)	11.95%	.00%+++++
	Based on net asset value per share	22.33%	(11.87%)	24.32%	(.21%)+++++
Ratios to Average Net Assets:**	Expenses, net of reimbursement	.69%	.69%	.54%	--
	Expenses	.69%	.69%	.65%	--
	Investment income--net	5.47%	5.24%	5.25%	--
Supplemental Data:	Net assets, net of Preferred Stock, end of period (in thousands)	$250,690	$220,828	$272,639	$230,667
	Preferred Stock outstanding, end of period (in thousands)	$120,000	$120,000	$120,000	--
	Portfolio turnover	64.18%	47.85%	38.69%	--
Dividends Per Share on Preferred Stock Outstanding:++++++	Series A--Investment income--net	$ 953	$ 590	$ 592	--
	Series B--Investment income--net	902	640	640	--

<FN>

*Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales loads.

**Do not reflect the effect of dividends to Preferred Stock shareholders.

++Commencement of Operations.

++++The Fund's Preferred Stock was issued on November 30, 1992.

++++++Dividends per share have been adjusted to reflect a two-for-one stock split.

+++Amount less than $.01 per share.

+++++Aggregate total investment return.

</TABLE>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:
MuniYield Insured Fund II, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a non-diversified, closed-end management investment company. The Fund determines and makes available for publication the net asset value of its Common Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol MTI. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Municipal bonds are traded primarily in the over-the-counter markets and are valued at the most recent bid price or yield equivalent as obtained by the Fund's pricing service from dealers that make markets in such securities. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges or, lacking any sales, at the last available bid price. Securities with remaining maturities of sixty days or less are valued at amortized cost, which approximates market value. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by a pricing service retained by the Fund, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Board of Directors.

(b) Derivative financial instruments--The Fund may engage in various portfolio strategies to seek to increase its return by hedging its portfolio against adverse movements in the debt markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

* Financial futures contracts--The Fund may purchase or sell interest rate futures contracts and options on such futures contracts for the purpose of hedging the market risk on existing securities or the intended purchase of securities. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

* Options--The Fund is authorized to write covered call options and purchase put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written.

When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired, or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

(c) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Discounts and market premiums are amortized into interest income. Realized gains and losses on security transactions are determined on the identified cost basis.

(e) Deferred organization expenses--Deferred organization expenses are amortized on a straight-line basis over a five-year period. Direct expenses relating to the public offering of the Common and Preferred Stock were charged to capital at the time of issuance.

NOTES TO FINANCIAL STATEMENTS (concluded)

(f) Dividends and distributions--Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. Distributions in excess of realized capital gains are due primarily to differing tax treatments for futures transactions and post-October losses.

(g) Reclassification--Generally accepted accounting principles require that certain components of net assets be reclassified to reflect permanent differences between financial reporting and tax purposes. Accordingly, current year's permanent book/tax differences of $5,954 have been reclassified from accumulated net realized capital losses to undistributed net investment income. These reclassifications have no effect on net assets or net asset value per share.

2. Investment Advisory Agreement and Transactions with Affiliates:
The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of 0.50% of the Fund's average weekly net assets.

Accounting services are provided to the Fund by FAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, PSI, Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S"), and/or ML & Co.

3. Investments:
Purchases and sales of investments, excluding short-term securities, for the year ended October 31, 1995 were $226,613,801 and $214,964,056, respectively.

Net realized and unrealized gains (losses) as of October 31, 1995 were as follows:

<TABLE>
<CAPTION>

	Realized Gains (Losses)	Unrealized Gains (Losses)
<S>	<C>	<C>
Long-term investments	$ 2,656,679	$19,582,086
Short-term investments	(4,684)	(1,922)
Financial futures contracts	(3,468,419)	--
Total	$ (816,424)	$19,580,164

=========== ===========
</TABLE>

As of October 31, 1995, net unrealized appreciation for Federal income tax purposes aggregated $19,580,164, of which $19,753,121 related to appreciated securities and $172,957 related to depreciated securities. The aggregate cost of investments at October 31, 1995 for Federal income tax purposes was $356,835,346.

4. Capital Stock Transactions:
The Fund is authorized to issue 200,000,000 shares of capital stock, including Preferred Stock, par value $.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to reclassify any unissued shares of capital stock without approval of holders of Common Stock.

Common Stock
For the year ended October 31, 1995, shares issued and outstanding remained constant at 16,420,827. At October 31, 1995, total paid-in capital amounted to $230,207,408.

Preferred Stock
Auction Market Preferred Stock ("AMPS") are shares of Preferred Stock of the Fund that entitle their holders to receive cash dividends at an annual rate that may vary for the successive dividend periods. The yields in effect at April 30, 1995 were 3.75% for Series A and 3.75% for Series B.

A two-for-one stock split occurred on December 1, 1994. As a result, as of October 31, 1995, there were 4,800 AMPS shares authorized, issued and outstanding with a liquidation preference of $25,000 per share, plus accumulated and unpaid dividends of $147,634.

The Fund pays commissions to certain broker-dealers at the end of each auction at an annual rate ranging from 0.25% to 0.375%, calculated on the proceeds of each auction. For the year ended October 31, 1995, MLPF&S, an affiliate of FAM, earned $174,972 as commissions.

5. Subsequent Event:
On November 13, 1995, the Fund's Board of Directors declared an ordinary income dividend to Common Stock shareholders in the amount of $0.075475 per share, payable on November 29, 1995 to shareholders of record as of November 24, 1995.

UNAUDITED FINANCIAL STATEMENTS FOR INSURED II
FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 1996

MuniYield Insured Fund II, Inc. April 30, 1996

<TABLE>
<CAPTION>

SCHEDULE OF INVESTMENTS (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Alabama--0.7%	AAA	Aaa	$ 2,500	Huntsville, Alabama, Health Care Authority, Health Care Facilities Revenue Bonds, Series B, 6.625% due 6/01/2023 (d)	$ 2,613

Alaska--2.1%	AAA	Aaa	8,025	Alaska State Housing Finance Corporation, Refunding, Series A, 5.875% due 12/01/2024 (d)(h)(i)	7,729
Arizona--0.4%	NR*	NR*	1,500	Mohave County, Arizona, IDA, IDR (North Star Steel Company Project), AMT, 6.70% due 3/01/2020	1,580
California --12.2%	AAA	Aaa	1,500	California HFA, Home Mortgage Revenue Bonds, Series F, 6% due 8/01/2017 (d)	1,498
	AAA	Aaa	2,500	California State Department of Water Resources, Water Systems Revenue Bonds (Central Valley Project), Series O, 4.75% due 12/01/2029 (d)	2,029
	AAA	Aaa	5,000	California State Public Works Board, Lease Revenue Bonds (Various University of California Projects), Series A, 6.40% due 12/01/2016 (b)	5,200
	AAA	Aaa	3,000	California State, Various Purpose, 5.90% due 4/01/2023 (c)	2,952
	AAA	Aaa	4,275	Los Angeles, California, Convention and Exhibition Center Authority, Lease Revenue Refunding Bonds, Series A, 5.375% due 8/15/2018 (d)	3,924
	AAA	Aaa	3,330	Los Angeles, California, Harbor Department Revenue Bonds, AMT, Series B, 6.625% due 8/01/2019 (b)	3,468
	AAA	Aaa	5,000	Los Angeles County, California, COP (Correctional Facilities Project), 6.50% due 9/01/2013 (d)	5,237
	AAA	Aaa	3,000	Sacramento, California, Municipal Utility District, Electric Revenue Bonds, Series I, 6% due 1/01/2024 (d)	3,000
	AAA	Aaa	3,000	San Francisco, California, Bay Area Rapid Transit District, Sales Tax Revenue Bonds, 5.50% due 7/01/2020 (c)	2,839
	AAA	Aaa	2,500	San Francisco, California, City and County Airports Commission, Revenue Bonds (International Airport), UT, Second Series, Issue 8-B, 6.10% due 5/01/2025 (c)	2,517
	AAA	Aaa	5,000	San Francisco, California, City and County, COP (San Francisco Courthouse Project), 5.875% due 4/01/2021 (f)	4,919
	AAA	Aaa	2,000	Santa Clara County, California, Financing Authority, Lease Revenue Bonds (VMC Facility Replacement Project), Series A, 6.75% due 11/15/2020 (b)	2,166
	AAA	Aaa	3,295	Santa Rosa, California, Wastewater Revenue Refunding Bonds, Series B, 6.125% due 9/01/2017 (c)	3,321
	AAA	Aaa	1,850	Southern California Public Power Authority, Transmission Project Revenue Refunding Bonds, Sub-Series A, 5% due 7/01/2022 (d)	1,592

</TABLE>

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Colorado--2.4%	AA	Aa	$ 5,500	Colorado Springs, Colorado, Utilities Revenue Bonds, Series A, 6.10% due 11/15/2024	$ 5,531
	AAA	Aaa	3,500	Denver, Colorado, City and County Airport Revenue Bonds, Series A, 5.50% due 11/15/2025 (d)	3,277
Connecticut --2.6%	AA-	A1	1,035	Connecticut State Health and Educational Facilities Authority Revenue Bonds (Nursing Home Program--AHF/Windsor Project), 7.125% due 11/01/2024	1,152
	AAA	Aaa	8,000	Connecticut State, HFA (Housing Mortgage Finance Program), Series B, 6.75% due 11/15/2023 (d)	8,288
Florida--1.2%	A1+	VMIG1++	4,000	Hillsborough County, Florida, IDA, PCR, Refunding (Tampa Electric Company--Gannon), VRDN, 4% due 5/15/2018 (a)	4,000
	A2	VMIG1++	400	Volusia County, Florida, Health Facilities Authority Revenue Bonds (Pooled Hospital Loan Program), ACES, 4.15% due 11/01/2015 (a)(c)	400
Georgia--2.6%	AAA	Aaa	4,700	Albany, Georgia, Sewer System Revenue Bonds, 6.70% due 7/01/2022 (d)	5,056
	A+	A3	2,000	Monroe County, Georgia, Development Authority, PCR, Refunding (Oglethorpe Power Scherer), Series A, 6.80% due 1/01/2012	2,150
	AAA	Aaa	2,000	Municipal Electric Authority of Georgia, Project One, Sub-Series A, 6.50% due 1/01/2026 (b)	2,093
Hawaii--1.8%	AAA	Aaa	6,000	Hawaii State Airports System Revenue Bonds, AMT, Second Series, 7% due 7/01/2018 (d)	6,482

Illinois--12.0%	AAA	Aaa	3,000	Chicago, Illinois (Central Public Library), Series B, 6.85% due 7/01/2002 (b)(e)	3,362
	AAA	Aaa	3,870	Chicago, Illinois, O'Hare International Airport, Special Facilities Revenue Bonds (International Terminal), AMT, 6.75% due 1/01/2018 (d)	4,027
				Chicago, Illinois, Wastewater Transmission Revenue Bonds:	
	AAA	Aaa	10,375	6.35% due 1/01/2003 (c)(e)	11,384
	AAA	Aaa	6,000	6.375% due 1/01/2024 (d)	6,165
				Illinois Health Facilities Authority Revenue Bonds:	
	A1+	VMIG1++	200	(Northwest Community Hospital), VRDN, 4.45% due 7/01/2025 (a)	200
	AAA	Aaa	3,000	(Servantcor Project), Series A, 6.375% due 8/15/2021 (f)	3,055
	AAA	Aaa	9,200	Metropolitan Pier and Exposition Authority, Illinois, Dedicated State Tax Revenue Bonds (McCormick Place Expansion Project), Series A, 6.50% due 6/15/2027 (b)	9,552
	AAA	Aaa	4,000	Regional Transportation Authority, Illinois, Series A, 7.20% due 11/01/2020 (b)	4,658
	A1+	VMIG1++	1,500	Southwestern Illinois Development Authority, Solid Waste Disposal Revenue Bonds (Shell Oil Co.--Wood River Project), VRDN, AMT, 4.25% due 4/01/2022 (a)	1,500
Indiana--1.6%	AAA	Aaa	2,400	Indiana State Vocational Technical College, Building Facilities Fee, Refunding (Student Fee), Series D, 6.50% due 7/01/2014 (b)	2,511
	A+	NR*	3,000	Indianapolis, Indiana, Local Public Improvement Bond Bank, Refunding, Series O, 6.75% due 2/01/2020	3,180
Iowa--1.2%	AAA	Aaa	4,020	Iowa Financing Authority, S/F Mortgage Refunding Bonds Series F, 6.35% due 7/01/2009 (b)	4,201
Kansas--1.3%	AAA	Aaa	5,000	Kansas State Turnpike Authority, Revenue Refunding Bonds, 5.25% due 9/01/2017 (b)	4,625

</TABLE>

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Maryland--0.6%	NR*	Aa	$ 2,085	Maryland State Community Development Administration, M/F Housing Revenue Bonds (Department of Housing and Community Development), Series C, 6.65% due 5/15/2025	$ 2,142
Massachusetts --6.5%	AAA	Aaa	3,000	Massachusetts Bay Transportation Authority, Massachusetts General Transportation, Series B, 5.375% due 3/01/2020 (b)	2,778
				Massachusetts State Health and Educational Facilities Authority Revenue Bonds:	
	AAA	Aaa	5,000	(Massachusettes General Hospital), Series F, 6.25% due 7/01/2020 (b)	5,073
	AAA	Aaa	10,000	(Northeastern University), Series E, 6.55% due 10/01/2022 (d)	10,575
				Massachusetts State Water Resource Authority, Series B (d):	
	AAA	Aaa	3,000	4.75% due 12/01/2021	2,489
	AAA	Aaa	3,000	5% due 12/01/2025	2,602
Michigan--2.2%	AAA	Aaa	2,750	Caledonia, Michigan, Community Schools, Refunding, UT, 6.625% due 5/01/2014 (b)	2,955
	BBB	Baa1	1,750	Michigan State, Hospital Finance Authority, Revenue Refunding Bonds (Pontiac Osteopathic), Series A, 6% due 2/01/2024	1,550
	AAA	Aaa	3,500	Monroe County, Michigan, PCR (Detroit Edison Company Project), AMT, Series I-B, 6.55% due 9/01/2024 (d)	3,613
Minnesota--1.3%	A-	A	4,500	Minneapolis and St. Paul, Minnesota, Housing and Redevelopment Authority, Health Care System Revenue Bonds (Group Health Plan Incorporated Project), 6.90% due 10/15/2022	4,779
Mississippi --3.5%	NR*	Aa2	2,700	Jackson County, Mississippi, Industrial Sewer Facilities Revenue Bonds (Chevron USA, Inc. Project), VRDN, 4.25% due 12/15/2024 (a)	2,700
	NR*	P1	6,300	Jackson County, Mississippi, Port Facility Revenue Refunding Bonds (Chevron USA, Inc. Project), VRDN, 4% due 6/01/2023 (a)	6,300
	AAA	Aaa	3,930	Mississippi Hospital Equipment and Facilities Authority, Revenue Refunding Bonds (Mississippi Baptist Medical Center), 6.50% due 5/01/2011 (d)	4,158

Missouri--0.9%	AAA	Aaa	3,000	Kansas City, Missouri, Airport Revenue General Improvement Bonds, Series B, 6.875% due 9/01/2014 (f)	3,225
Nevada--2.8%	AAA	Aaa	5,000	Washoe County, Nevada, Gas Facilities Revenue Bonds (Sierra Pacific Power), AMT, 6.55% due 9/01/2020 (d)	5,135
	AAA	Aaa	5,000	Washoe County, Nevada, Water Facility Revenue Bonds (Sierra Pacific Power), AMT, 6.65% due 6/01/2017 (d)	5,196
New Jersey --1.7%	AAA	Aaa	4,500	New Jersey State Housing and Mortgage Finance Agency Revenue Bonds (Home Buyer), AMT, Series K, 6.375% due 10/01/2026 (d)	4,521
	AAA	Aaa	2,000	New Jersey State Transportation Trust Fund Authority, Refunding (Transportation System), Series A, 5.50% due 6/15/2013 (d)	1,952
New Mexico --1.8%	AAA	Aaa	5,750	Gallup, New Mexico, PCR, Refunding (Plains Electric Generation), 6.65% due 8/15/2017 (d)	6,118
	A1+	P1	500	Hurley, New Mexico, PCR (Kennecott Santa Fe), VRDN, 4.10% due 12/01/2015 (a)	500
New York--2.0%	AAA	Aaa	2,000	New York City, New York, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds, Series B, 5.375% due 6/15/2019 (b)	1,847
	A	A	2,000	New York State Local Government Assistance Corporation, Refunding, Series B, 5.50% due 4/01/2021	1,850
	BBB	Baa1	4,000	New York State Urban Development Corporation, Revenue Refunding Bonds (Correctional Facilities), 5.50% due 1/01/2015	3,627

</TABLE>

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
North Carolina --0.1%	A1+	NR*	$ 200	Raleigh--Durham, North Carolina, Airport Authority, Special Facility Revenue Refunding Bonds (American Airlines), VRDN, Series B, 4.10% due 11/01/2015 (a)	$ 200
Ohio--1.2%	AAA	Aaa	1,450	Clermont County, Ohio, Sewer Systems Revenue Bonds, 7.10% due 12/01/2001 (b)(e)	1,641
	AAA	Aaa	2,500	North Canton, Ohio, City School District Improvement Bonds, UT, 6.70% due 12/01/2019 (b)	2,715
Oklahoma--0.5%	AAA	Aaa	2,000	Sapulpa, Oklahoma, Municipal Authority, Utility Revenue Refunding Bonds, 5.75% due 4/01/2023 (c)	1,936
Pennsylvania --1.0%	AA	Aa	4,000	Pennsylvania, HFA, RIB, AMT, 8.414% due 4/01/2025 (g)	3,745
South Carolina --4.1%	AAA	Aaa	10,000	Piedmont Municipal Power Agency, South Carolina, Electric Revenue Refunding Bonds, 6.30% due 1/01/2022 (d)	10,274
	AAA	Aaa	2,715	Richland--Lexington, South Carolina, Airport District Revenue Bonds (Columbia Metropolitan Airport), AMT, Series A, 5.70% due 1/01/2026 (b)	2,567
	AAA	Aaa	2,000	South Carolina State Public Service Authority Revenue Bonds (Santee Cooper), Series D, 6.50% due 7/01/2014 (b)	2,131
Tennessee--0.8%	AAA	Aaa	2,000	Metropolitan Government, Nashville and Davidson County, Tennessee, Water and Sewer Revenue Bonds, RIB, 8.371% due 1/01/2022 (b)(g)	1,980
	A+	A1	1,000	Tennessee, Housing Development Agency, Mortgage Finance, AMT, Series A, 6.90% due 7/01/2025	1,027
Texas--14.0%	BBB	Baa2	1,550	Alliance Airport Authority, Inc., Texas, Special Facilities Revenue Bonds (Federal Express Corporation Project), AMT, 6.375% due 4/01/2021	1,523
	AAA	Aaa	11,500	Brazos River Authority, Texas, PCR, Refunding (Texas Utilities Electric Company Project), AMT, 6.50% due 12/01/2027 (b)	11,803
	AAA	Aaa	7,000	Brazos River Authority, Texas, Revenue Refunding Bonds (Houston Light & Power), Series A, 6.70% due 3/01/2017 (b)	7,505
	AAA	Aaa	4,500	Harris County, Texas, Health Facilities Development Corporation, Hospital Revenue Bonds (Hermann Hospital Project), 6.375% due 10/01/2024 (d)	4,647
	A1+	Aaa	1,100	Harris County, Texas, Industrial Development Corporation, PCR (Exxon Project), DATES, 1984--Series A, 4.15% due 3/01/2024 (a)	1,100

AAA	Aaa	5,565	Houston, Texas, Water and Sewer System Revenue Bonds, Junior Lien, Series A, 6.375% due 12/01/2022 (d)	5,752
AAA	Aaa	1,500	Sabine River Authority, Texas, PCR, Refunding (Texas Utilities Electric Company Project), 6.55% due 10/01/2022 (c)	1,592
AAA	Aaa	1,500	San Antonio, Texas, Electric and Gas Revenue Bonds, Series 95, 5.375% due 2/01/2018 (d)	1,399
AAA	Aaa	4,000	San Antonio, Texas, Hotel Occupancy Revenue Bonds (Henry B. Gonzalez Convention Center Project), 5.70% due 8/15/2026 (c)	3,833
AAA	Aaa	13,000	Texas State Turnpike Authority, Dallas North Thruway Revenue Bonds (President George Bush Turnpike), 5.25% due 1/01/2023 (c)	11,806

</TABLE>

<TABLE>
<CAPTION>
SCHEDULE OF INVESTMENTS (concluded) (in Thousands)

State	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>	<C>
Utah--1.6%	A1+	VMIG1++	$ 900	Emery County, Utah, PCR, Refunding (Pacificorp Projects), VRDN, 4.10% due 11/01/2024 (a)(b)	$ 900
	AA-	Aa	2,425	Intermountain Power Agency, Utah, Power Supply Revenue Refunding Bonds, Series D, 5% due 7/01/2023	2,076
	AAA	Aaa	3,000	Timpanogos Special Service District, Utah, Sewer Revenue Bonds, Series A, 6.10% due 6/01/2019 (b)	2,981
Virginia--1.7%				Virginia State HDA, Commonwealth Mortgage:	
	AAA	Aaa	2,500	AMT, Series A, Sub-Series A-4, 6.45% due 7/01/2028 (d)	2,534
	AA+	Aa1	3,500	Series J, Sub-Series J-2, 6.75% due 7/01/2017	3,599
Washington --5.2%	AAA	Aaa	1,465	Seattle, Washington, Municipality, Metropolitan Seattle, Sewer Revenue Bonds, Series W, 6.25% due 1/01/2021 (d)	1,499
	AAA	Aaa	7,875	Spokane, Washington, Lease Revenue Refunding Bonds (Multi-Purpose Arena Project), AMT, Series A, 6.60% due 1/01/2014 (b)	8,103
	AAA	Aaa	2,500	Tacoma, Washington, Refuse Utility Revenue Bonds, 7% due 12/01/2019 (b)	2,753
	AAA	Aaa	2,500	Washington State, Health Care Facilities Authority Revenue Bonds (Virginia Mason Obligation Group, Seattle), 6.30% due 2/15/2017 (d)	2,544
	AAA	Aaa	4,000	Washington State Public Power Supply Systems, Revenue Refunding Bonds (Nuclear Project No. 1), Series A, 6.25% due 7/01/2017 (d)	4,069
Wisconsin--2.0%				Wisconsin State Health and Educational Facilities Authority Revenue Bonds:	
	AAA	Aaa	3,500	(Aurora Medical Group Inc. Project), 5.60% due 11/15/2016 (f)	3,308
	AAA	Aaa	4,500	Refunding (Waukesha Memorial Hospital), Series A, 5.25% due 8/15/2019 (b)	4,048
Total Investments (Cost--$345,880)--97.6%					356,708
Other Assets Less Liabilities--2.4%					8,851

Net Assets--100.0%					$365,559
					========

<FN>
(a) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at April 30, 1996.
(b) AMBAC Insured.
(c) FGIC Insured.
(d) MBIA Insured.
(e) Prerefunded.
(f) FSA Insured.
(g) The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at April 30, 1996.
(h) FNMA Collateralized.
(i) GNMA Collateralized.
*Not Rated.
++Highest short-term rating by Moody's Investors Service, Inc.
</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION

<TABLE>
Statement of Assets, Liabilities and Capital as of April 30, 1996

<S>	<C>	<C>	<C>
Assets:	Investments, at value (identified cost--$345,880,407) (Note 1a)		$356,707,883
	Cash		35,089
	Receivables:		
	Interest	$ 6,465,987	
	Securities sold	2,833,518	9,299,505
	Deferred organization expenses (Note 1e)		14,956
	Prepaid expenses and other assets		21,049
	Total assets		366,078,482
Liabilities:	Payables:		
	Dividends to shareholders (Note 1f)	313,913	
	Investment adviser (Note 2)	160,519	474,432
	Accrued expenses and other liabilities		45,493
	Total liabilities		519,925
Net Assets:	Net assets		$365,558,557
Capital:	Capital Stock (200,000,000 shares authorized) (Note 4):		
	Preferred Stock, par value $.10 per share (4,800 shares of AMPS* issued and outstanding at $25,000 per share liquidation preference)		$120,000,000
	Common Stock, par value $.10 per share (16,420,827 shares issued and outstanding)	$ 1,642,083	
	Paid-in capital in excess of par	228,565,325	
	Undistributed investment income--net	2,732,385	
	Undistributed realized capital gains on investments--net	1,791,288	
	Unrealized appreciation on investments--net	10,827,476	
	Total--Equivalent to $14.95 net asset value per share of Common Stock (market price--$13.375)		245,558,557
	Total capital		$365,558,557

</TABLE>

*Auction Market Preferred Stock.

See Notes to Financial Statements.

FINANCIAL INFORMATION (continued)

<TABLE>
<CAPTION>
Statement of Operations

		For the Six Months Ended April 30, 1996	
<S>	<C>	<C>	<C>
Investment Income (Note 1d):	Interest and amortization of premium and discount earned		$ 10,884,460
Expenses:	Investment advisory fees (Note 2)	$ 931,800	
	Commission fees (Note 4)	142,379	
	Professional fees	40,583	
	Accounting services (Note 2)	31,862	
	Transfer agent fees	31,121	

	Printing and shareholder reports	17,347	
	Listing fees	12,069	
	Directors' fees and expenses	11,264	
	Custodian fees	10,942	
	Pricing fees	6,211	
	Amortization of organization expenses (Note 1e)	3,701	
	Other	14,354	
	Total expenses		1,253,633
	Investment income--net		9,630,827
Realized & Unrealized Gain (Loss) on Investments --Net (Notes 1b, 1d & 3):	Realized gain on investments		3,900,331
	Change in unrealized appreciation on investments--net		(8,752,688)
	Net Increase in Net Assets Resulting from Operations		$ 4,778,470

</TABLE>

<TABLE>
<CAPTION>
Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:		For the Six Months Ended April 30, 1996	For the Year Ended October 31, 1995
<S>	<C>	<C>	<C>
Operations:	Investment income--net	$ 9,630,827	$ 19,481,221
	Realized gain (loss) on investments--net	3,900,331	(816,424)
	Change in unrealized appreciation/depreciation on investments--net	(8,752,688)	31,718,726
	Net increase in net assets resulting from operations	4,778,470	50,383,523
Dividends & Distributions to Shareholders (Note 1f):	Investment income--net:		
	Common Stock	(7,271,208)	(14,703,701)
	Preferred Stock	(2,031,024)	(4,452,300)
	Realized gain on investments--net:		
	Common Stock	(468,617)	(581,683)
	Preferred Stock	(138,816)	(104,543)
	In excess of realized gain on investments--net:		
	Common Stock	--	(575,755)
	Preferred Stock	--	(103,477)
	Net decrease in net assets resulting from dividends and distributions to shareholders	(9,909,665)	(20,521,459)
Net Assets:	Total increase (decrease) in net assets	(5,131,195)	29,862,064
	Beginning of period	370,689,752	340,827,688
	End of period*	$365,558,557	$370,689,752

<FN>
*Undistributed investment income--net $ 2,732,385 $ 2,403,790

</TABLE>

See Notes to Financial Statements.

FINANCIAL INFORMATION (concluded)

<TABLE>
<CAPTION>
FINANCIAL HIGHLIGHTS

The following per share data and ratios have been derived from information provided in the financial statements.	For the Six Months Ended April 30,	For the Year Ended October 31,	For the Period Oct. 30, 1992++ to Oct. 31,

Increase (Decrease)	in Net Asset Value:	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:	Net asset value, beginning of period	$ 15.27	$ 13.45	$ 16.63	$ 14.15	$ 14.18
	Investment income--net	.58	1.19	1.18	1.15	--
	Realized and unrealized gain (loss) on investments--net	(.30)	1.88	(2.92)	2.53	--
	Total from investment operations	.28	3.07	(1.74)	3.68	--
	Less dividends and distributions to Common Stock shareholders:					
	Investment income--net	(.44)	(.90)	(.96)	(.88)	--
	Realized gain on investments--net	(.03)	(.04)	(.25)	--	--
	In excess of realized gain on investments--net	--	--	(.03)	--	--
	Total dividends and distributions to Common Stock shareholders	(.47)	(.97)	(1.21)	(.88)	--
	Capital charge resulting from issuance of Common Stock	--	--	--	--	(.03)
	Effect of Preferred Stock activity:++++					
	Dividends and distributions to Preferred Stock shareholders:					
	Investment income--net	(.12)	(.27)	(.18)	(.18)	--
	Realized gain on investments--net	(.01)	(.01)	(.05)	--	--
	In excess of realized gain on invest-ments--net	--	(.00)+++	--	--	--
	Capital charge resulting from issuance of Preferred Stock	--	--	--	(.14)	--
	Total effect of Preferred Stock activity	(.13)	(.28)	(.23)	(.32)	--
	Net asset value, end of period	$ 14.95	$ 15.27	$ 13.45	$ 16.63	$ 14.15
	Market price per share, end of period	$ 13.375	$ 13.125	$ 11.375	$ 15.875	$ 15.00
Total Investment Return:**	Based on market price per share	5.41%+++++	24.33%	(21.92%)	11.95%	.00%+++++
	Based on net asset value per share	1.27%+++++	22.33%	(11.87%)	24.32%	(.21%)+++++
Ratios to Average Net Assets:***	Expenses, net of reimbursement	.67%*	.69%	.69%	.54%	--
	Expenses	.67%*	.69%	.69%	.65%	--
	Investment income--net	5.15%*	5.47%	5.24%	5.25%	--
Supplemental Data:	Net assets, net of Preferred Stock, end of period (in thousands)	$245,559	$250,690	$220,828	$272,639	$230,667
	Preferred Stock outstanding, end of period (in thousands)	$120,000	$120,000	$120,000	$120,000	--
	Portfolio turnover	39.74%	64.18%	47.85%	38.69%	--
Leverage:	Asset coverage per $1,000	$ 3,046	$ 3,089	$ 2,840	$ 3,272	--
Dividends Per Share On Preferred Stock Outstanding:++++++	Series A--Investment income--net	$ 406	$ 953	$ 590	$ 592	--
	Series B--Investment income--net	$ 440	$ 902	$ 640	$ 640	--

<FN>

*Annualized.

**Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales loads.

***Do not reflect the effect of dividends to Preferred Stock shareholders.

++Commencement of Operations.

++++The Fund's Preferred Stock was issued on November 30, 1992.

++++++Dividends per share have been adjusted to reflect a two-for-one stock split that occurred on December 1, 1994.
+++Amount less than $.01 per share.
+++++Aggregate total investment return.
</TABLE>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:
MuniYield Insured Fund II, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a non-diversified, closed-end management investment company. These unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. All such adjustments are of a normal recurring nature. The Fund determines and makes available for publication the net asset value of its Common Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol MTI. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Municipal bonds are traded primarily in the over-the-counter markets and are valued at the most recent bid price or yield equivalent as obtained by the Fund's pricing service from dealers that make markets in such securities. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges or, lacking any sales, at the last available bid price. Securities with remaining maturities of sixty days or less are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by a pricing service retained by the Fund, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Board of Directors.

(b) Derivative financial instruments--The Fund may engage in various portfolio strategies to seek to increase its return by hedging its portfolio against adverse movements in the debt markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

* Financial futures contracts--The Fund may purchase or sell interest rate futures contracts and options on such futures contracts for the purpose of hedging the market risk on existing securities or the intended purchase of securities. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

* Options--The Fund is authorized to write covered call options and purchase put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written.

When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired, or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

(c) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Discounts and market premiums are amortized into interest income. Realized gains and losses on security transactions are determined on the identified cost basis.

NOTES TO FINANCIAL STATEMENTS (concluded)

(e) Deferred organization expenses--Deferred organization expenses are amortized on a straight-line basis over a five-year period.

(f) Dividends and distributions--Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. Distributions in excess of realized capital gains are due primarily to differing tax treatments for futures transactions and post-October losses.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of 0.50% of the Fund's average weekly net assets.

Accounting services are provided to the Fund by FAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, PSI, Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S"), and/or ML & Co.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the six months ended April 30, 1996 were $142,111,759 and $155,364,418, respectively.

Net realized and unrealized gains (losses) as of April 30, 1996 were as follows:

<TABLE>
<CAPTION>

<S>	Realized Gains (Losses) <C>	Unrealized Gains <C>
Long-term investments	$1,880,281	$10,827,476
Short-term investments	(556)	--
Financial futures contracts	2,020,606	--
Total	$3,900,331	$10,827,476

</TABLE>

As of April 30, 1996, net unrealized appreciation for Federal income tax purposes aggregated $10,827,476, of which $12,437,976 related to appreciated securities and $1,610,500 related to depreciated securities. The aggregate cost of investments at April 30, 1996 for Federal income tax purposes was $345,880,407.

4. Capital Stock Transactions:
The Fund is authorized to issue 200,000,000 shares of capital stock, including Preferred Stock, par value $.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to reclassify any unissued shares of capital stock without approval of holders of Common Stock.

Common Stock
For the six months ended April 30, 1996, shares issued and outstanding remained constant at 16,420,827. At April 30, 1996, total paid-in capital amounted to $230,207,408.

Preferred Stock
Auction Market Preferred Stock ("AMPS") are shares of Preferred Stock of the Fund that entitle their holders to receive cash dividends at an annual rate that may vary for the successive dividend periods. The yields in effect at April 30, 1996 were 3.65% for Series A and 3.75% for Series B.

As of April 30, 1996, there were 4,800 AMPS shares authorized, issued and outstanding with a liquidation preference of $25,000 per share.

The Fund pays commissions to certain broker-dealers at the end of each auction at an annual rate ranging from 0.25% to 0.375%, calculated on the proceeds of each auction. For the six months ended April 30, 1996, MLPF&S, an affiliate of FAM, earned $82,924 as commissions.

5. Subsequent Event:
On May 10, 1996, the Fund's Board of Directors declared an ordinary income dividend to Common Stock shareholders in the amount of $0.069054 per share, payable on May 30, 1996 to shareholders of record as of May 21, 1996.

UNAUDITED FINANCIAL STATEMENTS FOR THE COMBINED FUND
ON A PRO FORMA BASIS AS OF APRIL 30, 1996

The following unaudited pro forma Combined Schedule of Investments as of April 30, 1996, represents a combining of the portfolios of each of the Funds as of that date. No adjustments were required to arrive at the Pro Forma for Combined Fund values. For additional information about the holdings of each Fund see the Schedule of Investments for each of the Funds as of April 30, 1996 contained in this Joint Proxy Statement and Prospectus as follows: Insured I (pages F-18 to F-23) and Insured II (pages F-43 to F-47).

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED)

APRIL 30, 1996

(IN THOUSANDS)

STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
Alabama -- 0.5%	$ 6,000	Huntsville, Alabama, Health Care Authority, Health Care Facilities Revenue Bonds, Series B, 6.625% due 6/01/2023(d)	$ 3,658	$ 2,613	$ 6,271
Alaska -- 1.9%	26,985	Alaska State Housing Finance Corporation, Refunding, Series A, 5.875% due 12/01/2024(d)(k)(l)	18,261	7,729	25,990
Arizona -- 0.4%	200	Arizona Educational Loan Marketing Corporation, Educational Loan Revenue Bonds, VRDN, AMT, Series A, 4.35% due 12/01/2020(a)	200	--	200
	5,000	Mohave County, Arizona, IDA, IDR (North Star Steel Co. Project), AMT, 6.70% due 3/01/2020	3,687	1,580	5,267
	100	Pinal County, Arizona, IDA, PCR (Magma Copper/Newmont Mining Corporation), VRDN, 4.05% due 12/01/2009(a)	100	--	100
Arkansas -- 0.0%	600	Crosset, Arkansas, PCR (Georgia-Pacific Corp. Project), VRDN, 4.20% due 10/01/2007(a)	600	--	600
California -- 15.1%	1,500	California HFA, Home Mortgage Revenue Bonds, Series F, 6% due 8/01/2017(d)	--	1,498	1,498
	1,595	California HFA, Revenue Bonds, AMT, Series E, 7% due 8/01/2026(d)	1,656	--	1,656
	3,850	California HFA, Revenue Bonds, RIB, AMT, 9.237% due 8/01/2023(i)	3,889	--	3,889
	9,000	California State Department of Water Resources, Water Systems Revenue Bonds (Central Valley Project), Series O, 4.75% due 12/01/2029(d)	5,276	2,029	7,305

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC. AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
	$ 10,000	California State, Various Purpose Bonds,			

		5.90% due 4/01/2023(c)................	$ 6,888	$ 2,952	$ 9,840
		California State Public Works Board, Lease Revenue Bonds:			
	8,500	(Department of Corrections - Monterey County Soledad II), Series A, 7% due 11/01/2019..........................	9,252	--	9,252
	2,750	(Various University of California Projects), 6.375% due 10/01/2019......	2,835	--	2,835
	8,000	(Various University of California Projects), Series A, 6.40% due 12/01/2016(b).........................	3,120	5,200	8,320
	4,000	(Various University of California Projects), Series B, 6.625% due 12/01/2019..........................	4,194	--	4,194
	5,000	Contra Costa, California, Water District, Water Revenue Bonds, Series D, 6.375% due 10/01/2022(b)...........	5,179	--	5,179
	3,000	East Bay, California, Municipal Utility District, Wastewater Treatment Systems, Revenue Refunding Bonds, Sub-Series, 5% due 6/01/2026(c).......	2,599	--	2,599
	15,775	Los Angeles, California, Convention and Exhibition Center Authority, Lease Revenue Refunding Bonds, Series A, 5.375% due 8/15/2018(d)..............	10,556	3,924	14,480
		Los Angeles, California, Harbor Department Revenue Bonds, AMT, Series B(b):			
	6,330	6.625% due 8/01/2019..................	3,124	3,468	6,592
	8,725	6.625% due 8/01/2025..................	8,989	--	8,989
	5,000	Los Angeles County, California, COP (Correctional Facilities Project), 6.50% due 9/01/2013(d)................	--	5,237	5,237
	11,585	Los Angeles County, California, Metropolitan Transportation Authority, Sales Tax Revenue Bonds, Second Senior Series B, Proposition C, 5.25% due 7/01/2023(b).........................	10,341	--	10,341

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

			MUNIYIELD INSURED	MUNIYIELD INSURED II	PRO FORMA FOR COMBINED FUND
<S>	<C>	<C>	<C>	<C>	<C>
STATE	TOTAL FACE AMOUNT	ISSUE	VALUE	VALUE	VALUE
<CAPTION>					
<S>	<C>	<C>	<C>	<C>	<C>
	$ 5,000	Los Angeles County, California, Transportation Commission, Sales Tax Revenue Refunding Bonds, Series B, 6.50% due 7/01/2015(c)................	$ 5,277	$ --	$ 5,277
	8,210	M-S-R Public Power Agency, California, Revenue Bonds (San Juan Project), Series E, 6.75% due 7/01/2011(d)......	8,782	--	8,782
	2,190	Northern California Transmission Revenue Bonds (California-Oregon Transmission Project), Series A, 6.50% due 5/01/2016(d).........................	2,319	--	2,319
	3,000	Orange County, California, Financing Authority, Tax Allocation Revenue Refunding Bonds, Series A, 6.25% due 9/01/2014(d).........................	3,074	--	3,074

3,000	Redwood City, California, Public Financing Authority, Local Agency Revenue Refunding Bonds, Series A, 6.50% due 7/15/2011(b)...............	3,202	--	3,202
5,000	Sacramento, California, City Financing Authority, Lease Revenue Refunding Bonds, Series A, 5.40% due 11/01/2020(b)........................	4,684	--	4,684
	Sacramento, California, Municipal Utility District, Electric Revenue Bonds:			
3,000	Series I, 6% due 1/01/2024(d).........	--	3,000	3,000
2,250	Series J, 5.50% due 8/15/2021(b)......	2,127	--	2,127
9,000	San Francisco, California, Bay Area Rapid Transit District, Sales Tax Revenue Bonds, 5.50% due 7/01/2020(c).........................	5,678	2,839	8,517
	San Francisco, California, City and County Airports Commission Revenue Bonds (International Airport), Second Series:			
6,000	AMT, Issue 6, 6.60% due 5/01/2024(b).........................	6,190	--	6,190
2,500	UT, Issue 8-B, 6.10% due 5/01/2025(c).........................	--	2,517	2,517
13,500	Issue 9-B, 5.25% due 5/01/2020(c).....	12,349	--	12,349

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

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STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
<S>	<C>	<C>	<C>	<C>	<C>
	$ 5,000	San Francisco, California, City and County, COP (San Francisco Courthouse Project), 5.875% due 4/01/2021(e).....	$ --	$ 4,919	$ 4,919
	10,000	San Francisco, California, City and County Sewer Revenue Bonds, Series A, 5.95% due 10/01/2025(c)..............	9,863	--	9,863
	5,375	San Mateo County, California, Joint Powers Financing Authority, Lease Revenue Bonds (San Mateo County Health Care Center), Series A, 5.75% due 7/15/2022(e).........................	5,184	--	5,184
	2,000	Santa Clara County, California, Financing Authority, Lease Revenue Bonds (VMC Facility Replacement Project), Series A, 6.75% due 11/15/2020(b)........................	--	2,166	2,166
		Santa Rosa, California, Wastewater Revenue Refunding Bonds(c):			
	3,000	Series A, 5.25% due 9/01/2016.........	2,818	--	2,818
	3,295	Series B, 6.125% due 9/01/2017........	--	3,321	3,321
	6,750	Southern California Public Power Authority, Transmission Project Revenue Refunding Bonds, Sub-Series A, 5% due 7/01/2022(d)..................	4,216	1,592	5,808
	2,500	Stanislaus County, California, COP, Refunding (Capital Improvement Program), Series A, 5.25% due 5/01/2018(d).........................	2,293	--	2,293

	5,000	University of California Revenue Bonds (Multiple Purpose Projects), Series D, 6.375% due 9/01/2024(d)..............	5,171	--	5,171
Colorado -- 2.0%	14,500	Colorado Springs, Colorado, Utilities Revenue Bonds, Series A, 6.10% due 11/15/2024...........................	9,051	5,531	14,582
	10,500	Denver, Colorado, City and County Airport Revenue Bonds, Series A, 5.50% due 11/15/2025(d)....................	6,555	3,277	9,832

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COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
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SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

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STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
	$ 2,500	Douglas County, Colorado, School District No. Re-1 (Douglas and Elbert Counties Improvement Project), Series A, 6.50% due 12/15/2016(d)...........	$ 2,641	$ --	$ 2,641
Connecticut -- 1.5%	11,500	Connecticut State HFA (Housing Mortgage Finance Program), Series B, 6.75% due 11/15/2023(d).........................	3,626	8,288	11,914
	5,000	Connecticut State Health and Educational Facilities Authority Revenue Bonds (Nursing Home Program -- AHF/Hartford), 7.125% due 11/01/2024...........................	5,566	--	5,566
	1,035	Connecticut State Health and Educational Facilities Authority Revenue Bonds (Nursing Home Program -- AHF/Windsor), 7.125% due 11/01/2024................	--	1,152	1,152
	2,000	Connecticut State, Series A, 5.50% due 5/15/2014...........................	1,946	--	1,946
Delaware -- 1.0%	8,490	Delaware State EDA, PCR, Refunding (Delmarva Power Project), Series B, 7.15% due 7/01/2018(c)................	9,382	--	9,382
	3,525	Delaware Transportation Authority, Transportation System Revenue Bonds, Senior Series, 7% due 7/01/2013(c)....	3,882	--	3,882
District of Columbia -- 1.5%	20,100	Metropolitan Washington, D.C., Virginia Airports Authority, General Airport Revenue Bonds, AMT, Series A, 6.625% due 10/01/2019(d)....................	20,812	--	20,812
Florida -- 3.0%	4,000	Dade County, Florida, Aviation Revenue Bonds, Series B, 5.60% due 10/01/2026(d).........................	3,826	--	3,826
	3,300	Dade County, Florida, IDA, Exempt Facilities Revenue Refunding Bonds (Florida Power & Light Co.), VRDN, 4.10% due 6/01/2021(a)................	3,300	--	3,300

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
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SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

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STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
<S>	<C>	<C>	<C>	<C>	<C>
	$ 6,500	Dade County, Florida, IDA, IDR (Dolphins Stadium Project), VRDN, Series D, 4.05% due 1/01/2016(a)................	$ 6,500	$ --	$ 6,500
	6,250	Dade County, Florida, Refunding (Seaport), UT, 5.125% due 10/01/2026(d).........................	5,585	--	5,585
	4,000	Hillsborough County, Florida, IDA, PCR, Refunding (Tampa Electric Company-Gannon), VRDN, 4% due 5/15/2018(a)....	--	4,000	4,000
	9,940	Orange County, Florida, Tourist Development Tax Revenue Bonds, Series B, 6.50% due 10/01/2019(b)............	10,472	--	10,472
	6,800	Pinellas County, Florida, Health Facilities Authority, Revenue Refunding Bonds (Pooled Hospital Loan Program), DATES, 4.05% due 12/01/2015(a).........................	6,800	--	6,800
	400	Volusia County, Florida, Health Facilities Authority Revenue Bonds (Pooled Hospital Loan Program), ACES, 4.15% due 11/01/2015(a)(c)............	--	400	400
Georgia -- 2.7%	4,700	Albany, Georgia, Sewer System Revenue Bonds, 6.70% due 7/01/2022(d).........	--	5,056	5,056
	10,000	Georgia Municipal Electric Authority, Power Revenue Bonds, Series EE, 6.40% due 1/01/2023(b)......................	10,311	--	10,311
	1,200	Medical Center Hospital Authority, Georgia, Anticipation Certificates (Columbus Regional Healthcare System), 5.50% due 8/01/2015(d)................	1,135	--	1,135
		Metropolitan Atlanta Rapid Transportation Authority, Georgia, Sales Tax Revenue Bonds:			
	6,500	Second Indenture, Series A, 6.90% due 7/01/2020(d).........................	7,076	--	7,076
	8,955	Series O, 6.55% due 7/01/2020(c)......	9,566	--	9,566

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

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STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
<S>	<C>	<C>	<C>	<C>	<C>
	$ 2,000	Monroe County, Georgia, Development Authority, PCR, Refunding (Oglethorpe Power Scherer), Series A, 6.80% due 1/01/2012.............................	$ --	$ 2,150	$ 2,150
	2,000	Municipal Electric Authority of Georgia, Project One, Sub-Series A, 6.50% due			

		1/01/2026(b)	--	2,093	2,093
Hawaii -- 1.8%		Hawaii State Airport Systems Revenue Bonds, AMT, Second Series(d):			
	6,000	7% due 7/01/2018	--	6,482	6,482
	17,145	6.75% due 7/01/2021	17,934	--	17,934
Illinois -- 8.0%	10,000	Chicago, Illinois (Central Public Library), Series B, 6.85% due 7/01/2002(b)(h)	7,845	3,362	11,207
	9,160	Chicago, Illinois, Midway Airport Revenue Bonds, AMT, Series A, 6.25% due 1/01/2024(d)	9,179	--	9,179
	3,870	Chicago, Illinois, O'Hare International Airport, Special Facilities Revenue Bonds (International Terminal), AMT, 6.75% due 1/01/2018(d)	--	4,027	4,027
	5,000	Chicago, Illinois (Project Series), UT, 5.50% due 1/01/2024(c)	4,613	--	4,613
	12,000	Chicago, Illinois, Public Building Commission, Building Revenue Bonds, Series A, 6.50% due 1/01/2018(d)(g)	12,498	--	12,498
		Chicago, Illinois, Wastewater Transmission Revenue Bonds:			
	10,375	6.35% due 1/01/2003(c)(h)	--	11,384	11,384
	6,000	6.375% due 1/01/2024(d)	--	6,165	6,165
	15,000	Cook County, Illinois, GO, UT, Series A, 6.60% due 11/15/2022(d)	15,655	--	15,655
		Illinois Health Facilities Authority Revenue Bonds:			
	200	(Northwest Community Hospital), VRDN, 4.45% due 7/01/2025(a)	--	200	200

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC. AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
	$ 6,000	Refunding (Carle Foundation), Series A, 6.75% due 1/01/2010(c)	$ 6,309	$ --	$ 6,309
	8,545	(Rockford Memorial Hospital), Series B, 6.75% due 8/15/2018(b)	8,933	--	8,933
	3,000	(Servantcor Project), Series A, 6.375% due 8/15/2021(e)	--	3,055	3,055
	9,200	Metropolitan Pier and Exposition Authority, Illinois, Dedicated State Tax Revenue Bonds (McCormick Place Expansion Project), Series A, 6.50% due 6/15/2027(b)	--	9,552	9,552
	4,000	Regional Transportation Authority, Illinois, Series A, 7.20% due 11/01/2020(b)	--	4,658	4,658
	1,500	Southwestern Illinois Development Authority, Solid Waste Disposal Revenue Bonds (Shell Oil Co. - Wood River Project), VRDN, AMT, 4.25% due 4/01/2022(a)	--	1,500	1,500
Indiana -- 1.0%	2,400	Indiana State Vocational Technical College, Building Facilities Fee, Refunding (Student Fee), Series D, 6.50% due 7/01/2014(b)	--	2,511	2,511

	5,000	Indianapolis, Indiana, Gas Utility Revenue Bonds, Series A, 6.20% due 6/01/2023(c)..........................	5,085	--	5,085
	3,000	Indianapolis, Indiana, Local Public Improvement Bond Bank, Refunding, Series O, 6.75% due 2/01/2020.........	--	3,180	3,180
	2,000	Monroe County, Indiana, Hospital Authority Revenue Bonds (Bloomington Hospital Project), 6.70% due 5/01/2012(d)..........................	2,107	--	2,107
	300	Rockport, Indiana, PCR, Refunding (AEP Generating Co. Project), VRDN, Series A, 4.10% due 7/01/2025(a)(b)..........	300	--	300
Iowa -- 0.3%	4,020	Iowa Financing Authority, S/F Mortgage Refunding Bonds, Series F, 6.35% due 7/01/2009(b)..........................	--	4,201	4,201

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

<TABLE>
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			MUNIYIELD INSURED	MUNIYIELD INSURED II	PRO FORMA FOR COMBINED FUND
STATE	TOTAL FACE AMOUNT	ISSUE	VALUE	VALUE	VALUE
<S>	<C>	<C>	<C>	<C>	<C>
Kansas -- 2.0%	$ 20,250	Burlington, Kansas, PCR, Refunding (Kansas Gas and Electric Company Project), 7% due 6/01/2031(d).........	$ 22,162	$ --	$ 22,162
	5,000	Kansas State Turnpike Authority, Revenue Refunding Bonds, 5.25% due 9/01/2017(b)..........................	--	4,625	4,625
Maryland -- 0.3%	1,995	Maryland State Community Development Administration, Department of Housing and Community Development, S/F Program, AMT, Second Series, 6.55% due 4/01/2026............................	2,020	--	2,020
	2,085	Maryland State Community Development Administration, M/F Housing Revenue Bonds (Department of Housing and Community Development), Series C, 6.65% due 5/15/2025...................	--	2,142	2,142
Massachusetts -- 5.6%		Massachusetts Bay Transportation Authority, General Transportation Systems, Series B(b):			
	10,000	5.375% due 3/01/2020..................	6,482	2,778	9,260
	7,500	5.375% due 3/01/2025..................	6,899	--	6,899
		Massachusetts State Health and Educational Facilities Authority Revenue Bonds:			
	6,400	(Bay State Medical Center), Series D, 5.50% due 7/01/2016(c)................	6,000	--	6,000
	5,000	(Massachusetts General Hospital), Series F, 6.25% due 7/01/2020(b)......	--	5,073	5,073
	7,130	(New England Medical Center Hospitals), Series F, 6.625% due 7/01/2025(c)..........................	7,456	--	7,456
	10,000	(Northeastern University), Series E, 6.55% due 10/01/2022(d)...............	--	10,575	10,575
	5,000	Massachusetts State Industrial Finance Agency Revenue Bonds (Brandeis University), Series C, 6.80% due 10/01/2019(d).........................	5,335	--	5,335

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
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SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

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STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
<S>	<C>	<C>	<C>	<C>	<C>
		Massachusetts State Water Resource Authority(d):			
	$ 5,000	(General), Series A, 5.90% due 8/01/2016............................	$ 4,878	$ --	$ 4,878
	9,000	Series B, 4.75% due 12/01/2021........	4,977	2,489	7,466
	15,000	Series B, 5% due 12/01/2025...........	10,407	2,602	13,009
Michigan -- 3.1%	2,750	Caledonia, Michigan, Community Schools, Refunding, UT, 6.625% due 5/01/2014(b).........................	--	2,955	2,955
	200	Grand Rapids, Michigan, Water Supply System Revenue Refunding Bonds, VRDN, 4.10% due 1/01/2020(a)(c)............	200	--	200
	1,750	Michigan State, Hospital Financing Authority, Revenue Refunding Bonds (Pontiac Osteopathic), Series A, 6% due 2/01/2024........................	--	1,550	1,550
	21,750	Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds (Detroit Edison Company Pollution Project), 6.875% due 12/01/2021(c)....	23,426	--	23,426
		Monroe County, Michigan, PCR (Detroit Edison Co. Project), AMT (d):			
	5,000	Series CC, 6.55% due 6/01/2024........	5,158	--	5,158
	8,500	Series I-B, 6.55% due 9/01/2024.......	5,161	3,613	8,774
Minnesota -- 0.8%	4,500	Minneapolis and St. Paul, Minnesota, Housing and Redevelopment Authority, Health Care System Revenue Bonds (Group Health Plan Incorporated Project), 6.90% due 10/15/2022........	--	4,779	4,779
		Minnesota State HFA, S/F Mortgage Revenue Bonds, AMT:			
	3,800	Series H, 6.50% due 1/01/2026.........	3,847	--	3,847
	3,000	Series L, 6.70% due 7/01/2020.........	3,051	--	3,051

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

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<S>	<C>	<C>	<C>	<C>	<C>

Mississippi -- 1.0%	$ 2,700	Jackson County, Mississippi, Industrial Sewer Facilities Revenue Bonds (Chevron USA, Inc. Project), VRDN, 4.25% due 12/15/2024(a)..............	$ --	$ 2,700	$ 2,700
	6,300	Jackson County, Mississippi, Port Facility Revenue Refunding Bonds (Chevron USA, Inc. Project), VRDN, 4% due 6/01/2023(a)......................	--	6,300	6,300
	3,930	Mississippi Hospital Equipment and Facilities Authority, Revenue Refunding Bonds (Mississippi Baptist Medical Center), 6.50% due 5/01/2011(d).........................	--	4,158	4,158
Missouri -- 0.5%	7,000	Kansas City, Missouri, Airport General Revenue Improvement Bonds, Series B, 6.875% due 9/01/2014(e)..............	4,300	3,225	7,525
Nevada -- 4.9%	9,250	Humboldt County, Nevada, PCR, Refunding (Sierra Pacific Power Company Project), 6.55% due 10/01/2013(b).....	9,888	--	9,888
		Las Vegas, Nevada, GO, Refunding (c):			
	4,180	6.60% due 10/01/2010.................	4,492	--	4,492
	4,470	6.60% due 10/01/2011.................	4,785	--	4,785
	4,770	6.60% due 10/01/2012.................	5,103	--	5,103
	15,255	Nevada State GO, Nos. 49 and 50, 5.50% due 11/01/2025(c)....................	14,378	--	14,378
	2,400	Reno, Nevada, Hospital Revenue Bonds (Saint Mary's Regional Medical Center), Series A, 6.70% due 7/01/2021(d).........................	2,532	--	2,532
		Washoe County, Nevada, Gas Facilities Revenue Bonds (Sierra Pacific Power Co.), AMT:			
	15,000	6.65% due 12/01/2017(b)..............	15,581	--	15,581
	5,000	6.55% due 9/01/2020(d)...............	--	5,135	5,135
	5,000	Washoe County, Nevada, Water Facility Revenue Bonds (Sierra Pacific Power Co.), AMT, 6.65% due 6/01/2017(d).....	--	5,196	5,196

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC. AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

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			MUNIYIELD INSURED	MUNIYIELD INSURED II	PRO FORMA FOR COMBINED FUND
STATE	TOTAL FACE AMOUNT	ISSUE	VALUE	VALUE	VALUE
<S>	<C>	<C>	<C>	<C>	<C>
New Hampshire -- 0.6%	$ 7,660	New Hampshire Higher Educational and Health Facilities Authority Revenue Bonds (Elliot Hospital of Manchester), 6.25% due 10/01/2021(b)..............	$ 7,837	$ --	$ 7,837
New Jersey -- 1.7%	9,195	New Jersey State Housing and Mortgage Finance Agency Revenue Bonds (Home Buyer), AMT, Series K, 6.375% due 10/01/2026(d).........................	4,716	4,521	9,237
	14,000	New Jersey State Transportation Trust Fund Authority Refunding Bonds (Transportation System), Series A, 5.50% due 6/15/2013(d)...............	11,713	1,952	13,665
New Mexico -- 1.3%	800	Farmington, New Mexico, PCR (Arizona Public Service Co.), VRDN, AMT, Series C, 4.25% due 9/01/2024(a)............	800	--	800
	10,275	Farmington, New Mexico, PCR, Refunding (Southern California Edison Company), Series A, 5.875% due 6/01/2023(d).....	10,063	--	10,063
	5,750	Gallup, New Mexico, PCR, Refunding (Plains Electric Generation), 6.65%			

		due 8/15/2017(d)	--	6,118	6,118
	500	Hurley, New Mexico, PCR (Kennecott Santa Fe), VRDN, 4.10% due 12/01/2015(a)	--	500	500
New York -- 4.7%	10,980	Metropolitan Transportation Authority, New York, Service Contract Refunding Bonds (Transit Facilities), Series 5, 7% due 7/01/2012	11,604	--	11,604
		New York City, New York, GO, UT:			
	2,210	Series C, Sub-Series C-1, 7.50% due 8/01/2019	2,421	--	2,421
	1,000	Series D, 7.50% due 2/01/2016	1,090	--	1,090
	12,000	Series D, 7.50% due 2/01/2019	13,083	--	13,083
	9,000	New York City, New York, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds, Series B, 5.375% due 6/15/2019(b)	6,464	1,847	8,311

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
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SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

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STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
	$ 7,595	New York State Dormitory Authority Revenue Refunding Bonds (State University Educational Facilities), Series B, 7% due 5/15/2016	$ 8,054	$ --	$ 8,054
	7,000	New York State Local Government Assistance Corporation, Refunding, Series B, 5.50% due 4/01/2021	4,624	1,850	6,474
		New York State Urban Development Corporation, Revenue Refunding Bonds (Correctional Facilities):			
	10,000	5.50% due 1/01/2015	5,440	3,627	9,067
	4,000	Series A, 5.50% due 1/01/2016	3,617	--	3,617
North Carolina -- 0.4%	5,000	Person County, North Carolina, Industrial Facilities and Pollution Control Financing Authority, Solid Waste Disposal Revenue Bonds (Carolina Power and Light Company), DATES, AMT, 4.30% due 11/01/2016(a)	5,000	--	5,000
	200	Raleigh-Durham, North Carolina, Airport Authority, Special Facility Revenue Refunding Bonds (American Airlines), VRDN, Series B, 4.10% due 11/01/2015(a)	--	200	200
North Dakota -- 0.2%	2,500	Grand Forks, North Dakota, Health Care Facilities Revenue Bonds (United Hospital Obligated Group), 6.25% due 12/01/2024(d)	2,550	--	2,550
Ohio -- 2.5%	5,400	Clermont County, Ohio, Sewer Systems Revenue Bonds, 7.10% due 12/01/2001(b)(h)	4,470	1,641	6,111
	14,735	Cuyahoga County, Ohio, Hospital Improvement and Revenue Refunding Bonds (University Hospital Health Systems), Series A, 6.875% due 1/15/1999(f)(h)	15,925	--	15,925

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
<S>	<C>	<C>	<C>	<C>	<C>
	$ 6,700	Cuyahoga County, Ohio, Hospital Revenue Improvement Bonds (Cleveland University Hospital), VRDN, 4.25% due 1/01/2016(a)	$ 6,700	$ --	$ 6,700
	2,500	North Canton, Ohio, City School District Improvement Bonds, UT, 6.70% due 12/01/2019(b)	--	2,715	2,715
	2,500	Ohio State Higher Educational Facilities Commission, Mortgage Revenue Bonds (University of Dayton Project), 6.60% due 12/01/2017(c)	2,676	--	2,676
Oklahoma -- 0.5%	6,655	Sapulpa, Oklahoma, Municipal Authority, Utility Revenue Refunding Bonds, 5.75% due 4/01/2023(c)	4,506	1,936	6,442
Oregon -- 0.0%	200	Port Saint Helen's, Oregon, PCR (Portland General Electric Company Project), VRDN, Series B, 4.10% due 6/01/2010(a)	200	--	200
Pennsylvania -- 1.5%	16,000	Montgomery County, Pennsylvania, IDA, PCR, Refunding (Philadelphia Electric Company), Series B, 6.70% due 12/01/2021(d)	17,044	--	17,044
	4,000	Pennsylvania, HFA, RIB, AMT, 8.414% due 4/01/2025(i)	--	3,745	3,745
South Carolina -- 3.1%	10,000	Piedmont Municipal Power Agency, South Carolina, Electric Revenue Refunding Bonds, 6.30% due 1/01/2022(d)	--	10,274	10,274
	2,715	Richland-Lexington, South Carolina, Airport District Revenue Bonds (Columbia Metropolitan Airport), AMT, Series A, 5.70% due 1/01/2026(b)	--	2,567	2,567
	11,900	South Carolina State Public Service Authority Revenue Bonds (Santee Cooper), Series D, 6.50% due 7/01/2014(b)	10,550	2,131	12,681
	4,850	South Carolina State Public Service Authority Revenue Refunding Bonds, Series B, 5.875% due 1/01/2023(c)	4,744	--	4,744

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

	MUNIYIELD INSURED	MUNIYIELD INSURED II	PRO FORMA FOR COMBINED FUND

STATE	TOTAL FACE AMOUNT	ISSUE	VALUE	VALUE	VALUE
	$ 7,000	Spartanburg County, South Carolina, Hospital Facilities Revenue Refunding Bonds (Spartanburg General Hospital System), Series A, 6.625% due 4/15/2022(e)	$ 7,309	$ --	$ 7,309
	4,200	Spartanburg County, South Carolina, Solid Waste Disposal Facilities Revenue Bonds (BMW Project), AMT, 7.55% due 11/01/2024	4,522	--	4,522
Tennessee -- 1.0%	3,820	Johnson City, Tennessee, Health and Educational Facilities Board, Hospital Revenue Refunding and Improvement Bonds (Johnson City Medical Center), 6.75% due 7/01/2016(d)	4,070	--	4,070
	5,000	Metropolitan Government, Nashville and Davidson County, Tennessee, Water and Sewer Revenue Bonds, RIB, 8.371% due 1/01/2022(b)(i)	2,970	1,980	4,950
	4,900	Tennessee, Housing Development Agency, Mortgage Finance, AMT, Series A, 6.90% due 7/01/2025	4,006	1,027	5,033
Texas -- 10.4%	5,250	Alliance Airport Authority, Inc., Texas, Special Facilities Revenue Bonds (Federal Express Corporation Project), AMT, 6.375% due 4/01/2021	3,636	1,523	5,159
	2,800	Austin, Texas, Utility System Revenue Refunding Bonds, 5.50% due 5/15/2020(d)	2,640	--	2,640
	3,200	Bexar, Texas, Metropolitan Water District, Waterworks System Revenue Refunding Bonds, 6.35% due 5/01/2025(d)	3,302	--	3,302
		Brazos River Authority, Texas, PCR (Texas Utilities Electric Company Project), AMT(b):			
	11,500	Refunding, 6.50% due 12/01/2027	--	11,803	11,803
	13,800	Refunding, VRDN, Series 96A, 4.25% due 3/01/2026(a)	13,800	--	13,800

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC. AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
	$ 3,800	Series A, 6.75% due 4/01/2022	$ 3,990	$ --	$ 3,990
	7,000	Brazos River Authority, Texas, Revenue Refunding Bonds (Houston Light & Power), Series A, 6.70% due 3/01/2017(b)	--	7,505	7,505
	4,500	Harris County, Texas, Health Facilities Development Corporation, Hospital Revenue Bonds (Hermann Hospital Project), 6.375% due 10/01/2024(d)	--	4,647	4,647
	100	Harris County, Texas, Health Facilities Development Corporation, Special			

		Facilities Revenue Bonds (Texas Medical Center Project), VRDN, 4.20% due 2/15/2022(a)(d)..................	100	--	100
	1,100	Harris County, Texas, Industrial Development Corporation, PCR (Exxon Project), DATES, 1984-Series A, 4.15% due 3/01/2024(a).....................	--	1,100	1,100
	6,885	Houston, Texas, Airport System Revenue Bonds (Sub-Lien), AMT, Series A, 6.75% due 7/01/2021(c)......................	7,182	--	7,182
	4,750	Houston, Texas, Hotel Occupancy Tax Revenue Refunding Bonds (Senior-Lien), 5.50% due 7/01/2015(e)...............	4,512	--	4,512
	5,565	Houston, Texas, Water and Sewer System Revenue Bonds, Junior Lien, Series A, 6.375% due 12/01/2022(d).............	--	5,752	5,752
	11,795	Matagorda County, Texas, Navigation District No. 1, Revenue Refunding Bonds (Houston Light and Power), Series A, 6.70% due 3/01/2027(b)......	12,634	--	12,634
	1,400	Port of Port Arthur, Texas, Navigation District, PCR, Refunding (Texaco Inc. Project), VRDN, 4.15% due 10/01/2024(a).........................	1,400	--	1,400

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

			MUNIYIELD INSURED	MUNIYIELD INSURED II	PRO FORMA FOR COMBINED FUND
STATE	TOTAL FACE AMOUNT	ISSUE	VALUE	VALUE	VALUE
<S>	<C>	<C>	<C>	<C>	<C>
	$ 1,500	Sabine River Authority, Texas, PCR, Refunding (Texas Utilities Electric Company Project), 6.55% due 10/01/2022(c)........................	$ --	$ 1,592	$ 1,592
	11,500	San Antonio, Texas, Electric and Gas Revenue Bonds, Series 95, 5.375% due 2/01/2018(d).........................	9,326	1,399	10,725
	15,000	San Antonio, Texas, Hotel Occupancy Revenue Bonds (Henry B. Gonzalez Convention Center Project), 5.70% due 8/15/2026(c).........................	10,541	3,833	14,374
	33,180	Texas State Turnpike Authority, Dallas North Thruway Revenue Bonds (President George Bush Turnpike), 5.25% due 1/01/2023(c).........................	18,326	11,806	30,132
Utah -- 2.2%	3,040	Emery County, Utah, PCR, Refunding (Pacificorp Projects), VRDN, 4.10% due 11/01/2024(a)(b).....................	2,140	900	3,040
	7,675	Intermountain Power Agency, Utah, Power Supply Revenue Refunding Bonds, Series D, 5% due 7/01/2023..................	4,493	2,076	6,569
	10,000	Salt Lake City, Utah, Airport Revenue Bonds, AMT, Series A, 6.125% due 12/01/2022(c)........................	9,980	--	9,980
	10,000	Timpanagos Special Service District, Utah, Sewer Revenue Bonds, Series A, 6.10% due 6/01/2019(b)...............	6,957	2,981	9,938
Virginia -- 1.7%	5,540	Loudon County, Virginia, COP, 6.90% due 3/01/2019(e).........................	5,953	--	5,953
	5,890	Upper Occoquan Sewer Authority, Virginia, Regional Sewer Revenue Bonds, Series A, 5% due 7/01/2025(d).........................	5,148	--	5,148

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

STATE	TOTAL FACE AMOUNT	ISSUE	MUNIYIELD INSURED VALUE	MUNIYIELD INSURED II VALUE	PRO FORMA FOR COMBINED FUND VALUE
		Virginia State HDA, Commonwealth Mortgage, AMT:			
	$ 9,000	Series A, Sub-Series A-4, 6.45% due 7/01/2028(d)	$ 6,590	$ 2,534	$ 9,124
	3,500	Series J, Sub-Series J-2, 6.75% due 7/01/2017	--	3,599	3,599
Washington -- 5.3%	1,200	Douglas County, Washington, Public Utility District No. 001, Revenue Bonds (Electric Distribution System), 6% due 1/01/2015(d)	1,206	--	1,206
	9,495	Port Seattle, Washington, Revenue Bonds (Sub-Lien), Series C, 6.625% due 8/01/2017(d)	10,059	--	10,059
		Seattle, Washington, Metropolitan Seattle Municipality Sewer Revenue Bonds:			
	10,560	Series U, 6.60% due 1/01/2032(c)	11,158	--	11,158
	1,465	Series W, 6.25% due 1/01/2021(d)	--	1,499	1,499
	1,750	Series W, 6.25% due 1/01/2022(d)	1,791	--	1,791
	5,000	Snohomish County, Washington, Public Utility District No. 001, Electric Revenue Bonds (Generation System), AMT, Series B, 5.80% due 1/01/2024(d)	4,724	--	4,724
	7,875	Spokane, Washington, Lease Revenue Refunding Bonds (Multi-Purpose Arena Project), AMT, Series A, 6.60% due 1/01/2014(b)	--	8,103	8,103
	6,000	Tacoma, Washington, Refuse Utility Revenue Bonds, 7% due 12/01/2019(b)	3,854	2,753	6,607
	2,000	University of Washington Alumni Association, Lease Revenue Bonds (University of Washington Medical Center -- Roosevelt II), 6.25% due 8/15/2012(e)	2,064	--	2,064

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC.
AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

MUNIYIELD MUNIYIELD PRO FORMA FOR

STATE	TOTAL FACE AMOUNT	ISSUE	INSURED VALUE	INSURED II VALUE	COMBINED FUND VALUE
<S>			<C>	<C>	<C>
		Washington State Health Care Facilities Authority Revenue Bonds:			
	$ 8,300	(Children's Hospital and Medical Center), 6% due 10/01/2022...........	$ 7,809	$ --	$ 7,809
	2,500	(Virginia Mason Obligation Group, Seattle), 6.30% due 2/15/2017(d)......	--	2,544	2,544
	15,175	Washington State Public Power Supply Systems, Revenue Refunding Bonds (Nuclear Project No. 1), Series A, 6.25% due 7/01/2017(d)................	11,367	4,069	15,436
West Virginia -- 0.6%	4,425	Harrison County, West Virginia, County Commission Solid Waste Disposal Revenue Bonds (Monongahela Power), AMT, Series C, 6.75% due 8/01/2024(b)..........................	4,697	--	4,697
	2,800	West Virginia School Building Authority, Revenue and Capital Improvement Bonds, Series B, 6.75% due 7/01/2017(d)......	2,981	--	2,981
Wisconsin -- 1.1%	2,000	Wisconsin, Housing and EDA, Home Ownership Revenue Bonds, AMT, Series B, 6.75% due 9/01/2025................	2,040	--	2,040
		Wisconsin State Health and Educational Facilities Authority, Revenue Bonds:			
	3,500	(Aurora Medical Group Inc. Project), 5.60% due 11/15/2016(e)...............	--	3,308	3,308
	3,955	Refunding (Wheaton-Franciscan Services), 6.50% due 8/15/2011(d)................	4,113	--	4,113
	2,000	Refunding (Wheaton-Franciscan Services), 6% due 8/15/2015(d)...................	1,964	--	1,964
	4,500	Refunding (Waukesha Memorial Hospital), Series A, 5.25% due 8/15/2019(b)......	--	4,048	4,048
Total Investments (Cost -- $1,287,820) -- 97.7%........................			$ 975,884	$ 356,708	$ 1,332,592

</TABLE>

COMBINED SCHEDULE OF INVESTMENTS OF MUNIYIELD INSURED FUND, INC. AND MUNIYIELD INSURED FUND II, INC.

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

APRIL 30, 1996

(IN THOUSANDS)

(a) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at April 30, 1996.
(b) AMBAC Insured.
(c) FGIC Insured.
(d) MBIA Insured.
(e) FSA Insured.
(f) BIG Insured.
(g) Escrowed to maturity.
(h) Prerefunded.
(i) The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at April 30, 1996.
(k) FNMA Insured.
(l) GNMA Insured.
(*) Not Rated.
+ Highest Short-term rating by Moody's Investors Service, Inc.

Portfolio Abbreviations:

To simplify the listings of the Combined Schedule of MuniYield Insured Fund, Inc. and MuniYield Insured Fund II, Inc.'s portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list below.

ACES	Adjustable Convertible Extendable Securities
AMT	Alternative Minimum Tax (subject to)
COP	Certificates of Participation
DATES	Daily Adjustable Tax-Exempt Securities
EDA	Economic Development Authority
GO	General Obligation Bonds
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDR	Industrial Development Revenue Bonds
M/F	Multi-Family
PCR	Pollution Control Revenue Bonds
RIB	Residual Interest Bonds
S/F	Single Family
UT	Unlimited Tax
VRDN	Variable Rate Demand Notes

The following unaudited pro forma Combined Statement of Assets, Liabilities and Capital for the Combined Fund has been derived from the Statements of Assets, Liabilities and Capital of the Funds at April 30, 1996 and such information has been adjusted to give effect to the Reorganization as if the Reorganization had occurred at April 30, 1996. The pro forma Combined Statement of Assets, Liabilities and Capital is presented for informational purposes only and does not purport to be indicative of the financial condition that actually would have resulted if the Reorganization had been consummated at April 30, 1996. The pro forma Combined Statement of Assets, Liabilities and Capital should be read in conjunction with the Funds' financial statements and related notes thereto which are included in this Joint Proxy Statement and Prospectus.

COMBINED STATEMENT OF ASSETS, LIABILITIES AND CAPITAL
AS OF APRIL 30, 1996
(UNAUDITED)

	MUNIYIELD INSURED	MUNIYIELD INSURED II	ADJUSTMENTS	PRO FORMA FOR COMBINED FUND
ASSETS:				
Investments, at value......................	$ 975,884,449	$356,707,883	$ 0	$1,332,592,332
Cash.......................................	66,458	35,089	0	101,547
Receivables:				
Interest.................................	17,962,980	6,465,987	0	24,428,967
Securities sold..........................	6,616,570	2,833,518	0	9,450,088
Deferred organization expenses.............	8,873	14,956	(14,956)	8,873
Prepaid expenses and other assets..........	58,767	21,049		79,816
Total assets......................	1,000,598,097	366,078,482	(14,956)	1,366,661,623
LIABILITIES:				
Payables:				
Dividends to shareholders................	1,036,870	313,913	14,835,002(1)	16,185,785
Investment adviser.......................	438,695	160,519		599,214
Accrued expenses and other liabilities......	114,956	45,493	217,000(2)	377,449
Total liabilities.................	1,590,521	519,925	15,052,002	17,162,448
Net Assets................................	$999,007,576	$365,558,557	($15,066,958)	$1,349,499,175
CAPITAL:				
Capital Stock (200,000,000 shares of each fund authorized; 200,000,000 shares as adjusted); Preferred Stock, par value $.05 per share (12,800 shares of MuniYield Insured AMPS*, and 4,800 shares of MuniYield Insured II AMPS* issued and outstanding at $25,000 liquidation preference; 17,600 shares for the combined				

Fund as adjusted)........................	$320,000,000	$120,000,000	$ 0	$ 440,000,000
Common Stock, par value, $.10 per share (45,187,339 shares of MuniYield Insured Common Stock, and 16,420,827 shares of MuniYield Insured II Common Stock issued and outstanding; 61,475,341 shares for the combined Fund as adjusted)................	4,518,734	1,642,083	(13,283)	6,147,534
Paid-in-capital in excess of par............	630,233,103	228,565,325	(218,673)	858,579,755
Undistributed investment income -- net......	8,124,513	2,732,385	(10,856,898)	0
Accumulated realized capital gains on investments -- net.......................	2,186,816	1,791,288	(3,978,104)	0
Unrealized appreciation on investments -- net	33,944,410	10,827,476	0	44,771,886
	------------	------------	-----------	------------
Total Capital -- Equivalent to $15.03 net asset value per share of MuniYield Insured Common Stock, $14.95 net asset value per share of MuniYield Insured II Common Stock and $14.79 net asset value per share of the combined Fund.......................................	$999,007,576	$365,558,557	$(15,066,958)	$1,349,499,175
	============	============	===========	==============

</TABLE>

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* Auction Market Preferred Stock (AMPS)

(1) Assumes the distribution of undistributed investment income.

(2) Reflects the charge for estimated Reorganization expenses of $217,000.

The following unaudited pro forma combined statement of operations for the Combined Fund has been derived from the statements of operations of the Funds for the six months ended April 30, 1996, and such information has been adjusted to give effect to the Reorganization as if the Reorganization had occurred on November 1, 1995. The pro forma combined statement of operations is presented for informational purposes only and does not purport to be indicative of the results of operations that actually would have resulted if the Reorganization had been consummated on November 1, 1995 nor which may result from future operations. The pro forma combined statement of operations should be read in conjunction with the Funds' financial statements and related notes thereto which are included in this Joint Proxy Statement and Prospectus.

COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED APRIL 30, 1996
(UNAUDITED)

<TABLE>
<CAPTION>

	MUNIYIELD INSURED	MUNIYIELD INSURED II	ADJUSTMENTS	PRO FORMA FOR COMBINED FUND
<S>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:				
Interest and amortization of premium and discount earned.................	$29,890,556	$10,884,460	$ 0	$40,775,016
EXPENSES:				
Investment advisory fees..............	2,550,693	931,800		3,482,493
Commission fees........................	396,667	142,379		539,046
Transfer agent fees....................	63,880	31,121		95,001
Professional fees......................	48,237	40,583		88,820
Accounting services....................	45,036	31,862		76,898
Directors' fees and expenses...........	39,361	11,264		50,625
Printing and shareholder reports.......	33,904	17,347		51,251
Custodian fees.........................	28,739	10,942		39,681
Listing fees...........................	22,773	12,069		34,842
Pricing fees...........................	12,296	6,211		18,507
Amortization of organization expenses............................	3,128	3,701		6,829
Other..................................	33,541	14,354	217,000 (1)	264,895
	-----------	----------	---------	-----------
Total expenses.........................	3,278,255	1,253,633	217,000	4,748,888
	-----------	----------	---------	-----------
Investment income -- net..............	26,612,301	9,630,827	(217,000)	36,026,128
	-----------	----------	---------	-----------
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS -- NET				
Realized gain on investments -- net....	10,345,853	3,900,331		14,246,184

Change in unrealized appreciation on investments -- net..................	(25,710,160)	(8,752,688)		(34,462,848)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....................	$11,247,994	$ 4,778,470	$(217,000)	$15,809,464

</TABLE>

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(1) Reflects the charge for estimated Reorganization expenses of $217,000.

EXHIBIT I

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement") is made as of the 21st day of August, 1996, by and between MuniYield Insured Fund, Inc., a Maryland corporation ("Insured I"), and MuniYield Insured Fund II, Inc., a Maryland corporation ("Insured II").

PLAN OF REORGANIZATION

The reorganization will comprise (a) the acquisition by Insured I of all of the assets, and the assumption by Insured I of all of the liabilities, of Insured II in exchange solely for an equal aggregate value of newly-issued shares of (i) common stock, par value $.10 per share, of Insured I ("Insured I Common Stock"), (ii) auction market preferred stock, with a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to be designated Series F, of Insured I ("Insured I Series F AMPS"), and (iii) auction market preferred stock, with a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to be designated Series G, of Insured I ("Insured I Series G AMPS"), and (b) the subsequent distribution to Insured II stockholders of (x) all of the Insured I Common Stock received by Insured II in exchange for their shares of common stock, par value $.10 per share, of Insured II ("Insured II Common Stock"), (y) all of the Insured I Series F AMPS received by Insured II in exchange for their shares of auction market preferred stock, with a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) designated Series A, of Insured II ("Insured II Series A AMPS"), and (z) all of the Insured I Series G AMPS received by Insured II in exchange for their shares of auction market preferred stock, with a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) designated Series B, of Insured II ("Insured II Series B AMPS" and, together with the Insured II Series A AMPS, the "Insured II AMPS"), all upon and subject to the terms hereinafter set forth (collectively, the "Reorganization").

In the course of the Reorganization, Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS will be distributed to Insured II stockholders as follows: (i) each holder of Insured II Common Stock will be entitled to receive a number of shares of Insured I Common Stock equal to the aggregate net asset value of the Insured II Common Stock owned by such stockholder on the Exchange Date (as defined in Section 7(a) of this Agreement); (ii) each holder of Insured II Series A AMPS will be entitled to receive a number of shares of Insured I Series F AMPS equal to the aggregate liquidation preference (and aggregate value) of the Insured II Series A AMPS owned by such stockholder on the Exchange Date; and (iii) each holder of Insured II Series B AMPS will be entitled to receive a number of shares of Insured I Series G AMPS equal to the aggregate liquidation preference (and aggregate value) of the Insured II Series B AMPS owned by such stockholder on the Exchange Date. In consideration therefor, on the Exchange Date Insured I shall acquire all of the assets of Insured II and shall assume all of Insured II's obligations and liabilities then existing, whether absolute, accrued, contingent or otherwise. It is intended that the Reorganization described in this Plan shall be a reorganization within the meaning of Section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended (the "Code"), and any successor provision.

Prior to the Exchange Date, Insured II shall declare a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its stockholders all of its net investment company taxable income for the period from November 1, 1995 to and including the

Exchange Date, if any (computed without regard to any deduction or dividends paid), and all of its net capital gain, if any, realized for the period from November 1, 1995 to and including the Exchange Date. In this regard, the last dividend period for the Insured II Series A AMPS and the Insured II Series B AMPS prior to the Exchange Date may be shorter than the dividend period for such AMPS determined as set forth in the applicable Articles Supplementary.

Separate Articles Supplementary to Insured I's Articles of Incorporation establishing the powers, rights and preferences of the Insured I Series F AMPS and the Insured I Series G AMPS will have been filed with the State Department of Assessments and Taxation of Maryland (the "Maryland Department") prior to the closing of the Reorganization.

As promptly as practicable after the liquidation of Insured II pursuant to the Reorganization, Insured II shall be dissolved in accordance with the laws of the State of Maryland and will terminate its registration under the Investment Company Act of 1940, as amended (the "1940 Act").

AGREEMENT

In order to consummate the Reorganization and in consideration of the premises and the covenants and agreements hereinafter set forth, and intending to be legally bound, Insured I and Insured II hereby agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF INSURED I.

Insured I represents and warrants to, and agrees with, Insured II that:

(a) Insured I is a corporation duly organized, validly existing and in good standing in conformity with the laws of the State of Maryland, and has the power to own all of its assets and to carry out this Agreement. Insured I has all necessary Federal, state and local authorizations to carry on its business as it is now being conducted and to carry out this Agreement.

(b) Insured I is duly registered under the 1940 Act as a non-diversified, closed-end management investment company (File No. 811-6540), and such registration has not been revoked or rescinded and is in full force and effect. Insured I has elected and qualified for the special tax treatment afforded regulated investment companies ("RICs") under Sections 851-855 of the Code at all times since its inception, and intends to continue to so qualify both until consummation of the Reorganization and thereafter.

(c) Insured I has full power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of its Board of Directors and this Agreement constitutes a valid and binding contract enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto.

(d) Insured II has been furnished with Insured I's Annual Report to Stockholders for the year ended October 31, 1995, and the audited financial statements appearing therein, having been examined

by Deloitte & Touche LLP, independent public accountants, fairly present the financial position of Insured I as of the respective dates indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

(e) Insured II has been furnished with Insured I's Semi-Annual Report to Stockholders for the six months ended April 30, 1996, and the unaudited financial statements appearing therein fairly present the financial position of Insured I as of the respective dates indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

(f) An unaudited statement of assets, liabilities and capital of Insured I and an unaudited schedule of investments of Insured I, each as of the Valuation Time (as defined in Section 3(d) of this Agreement), will be furnished to Insured II at or prior to the Exchange Date for the purpose of determining the number of shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be issued pursuant to Section 4 of this Agreement; each will fairly present the financial position of Insured I as of the Valuation Time in conformity with generally accepted accounting principles applied on a consistent basis.

(g) There are no material legal, administrative or other proceedings pending or, to the knowledge of Insured I, threatened against Insured I which assert liability on the part of Insured I or which materially affect its financial condition or its ability to consummate the Reorganization. Insured I is not charged with or, to the best of its knowledge, threatened with any violation or investigation of any possible violation of any provisions of any Federal, state or local law or regulation or administrative ruling relating to any aspect of its business.

(h) Insured I is not a party to or obligated under any provision of its Articles of Incorporation, as amended, or its by-laws, as amended, or any contract or other commitment or obligation, and is not subject to any order or decree which would be violated by its execution of or performance under this Agreement, except insofar as Insured I and Insured II have mutually agreed to amend such contract or other commitment or obligation to cure any potential violation as a condition precedent to the Reorganization.

(i) There are no material contracts outstanding to which Insured I is a party that have not been disclosed in the N-14 Registration Statement (as defined in subsection (l) below) or will not otherwise be disclosed to Insured II prior to the Valuation Time.

(j) Insured I has no known liabilities of a material amount, contingent or otherwise, other than those shown on Insured I's statements of assets, liabilities and capital referred to above, those incurred in the ordinary course of its business as an investment company since April 30, 1996 and those incurred in connection with the Reorganization. As of the Valuation Time, Insured I will advise Insured II in writing of all known liabilities, contingent or otherwise, whether or not incurred in the ordinary course of business, existing or accrued as of such time.

(k) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by Insured I of the Reorganization, except such as may be required under the Securities Act of 1933, as amended (the "1933 Act"), the Securities Exchange Act of 1934, as amended (the "1934 Act"), the 1940 Act or state securities laws.

(l) The registration statement filed by Insured I on Form N-14 relating to the Insured I Common Stock, the Insured I Series F AMPS and the Insured I Series G AMPS to be issued pursuant to this Agreement, which includes the joint proxy statement of Insured I and Insured II and the prospectus of Insured I with respect to the transaction contemplated herein, and any supplement or amendment thereto or to the documents therein (as amended, the "N-14 Registration Statement"), on its effective date, at the time of the stockholders' meetings referred to in Section 6(a) of this Agreement and at the Exchange Date, insofar as it relates to Insured I (i) complied or will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the joint proxy statement and prospectus included therein did not or will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection only shall apply to statements in or omissions from the N-14 Registration Statement made in reliance upon and in conformity with information furnished by Insured I for use in the N-14 Registration Statement as provided in Section 6(e) of this Agreement.

(m) Insured I is authorized to issue 200,000,000 shares of capital stock, of which 2,200 shares have been designated as Series A AMPS, 2,200 shares have been designated as Series B AMPS, 2,200 shares have been designated as Series C AMPS, 2,200 shares have been designated as Series D AMPS, 4,000 shares have been designated as Series E AMPS (collectively, the "Insured I AMPS"), and 199,987,200 shares have been designated as common stock, par value $.10 per share, each outstanding share of which is fully paid, nonassessable and has full voting rights.

(n) The Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be issued to Insured II pursuant to this Agreement will have been duly authorized and, when issued and delivered pursuant to this Agreement, will be legally and validly issued and will be fully paid and nonassessable and will have full voting rights, and no stockholder of

Insured I will have any preemptive right of subscription or purchase in respect thereof.

(o) At or prior to the Exchange Date, the Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be transferred to Insured II on the Exchange Date will be duly qualified for offering to the public in all states of the United States in which the sale of shares of Insured II presently are qualified, and there are a sufficient number of such shares registered under the 1933 Act and with each pertinent state securities commission to permit the transfers contemplated by this Agreement to be consummated.

(p) At or prior to the Exchange Date, Insured I will have obtained any and all regulatory, Director and stockholder approvals necessary to issue the Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to Insured II.

2. REPRESENTATIONS AND WARRANTIES OF INSURED II.

Insured II represents and warrants to, and agrees with, Insured I that:

(a) Insured II is a corporation duly organized, validly existing and in good standing in conformity with the laws of the State of Maryland, and has the power to own all of its assets and to carry out this

Agreement. Insured II has all necessary Federal, state and local authorizations to carry on its business as it is now being conducted and to carry out this Agreement.

(b) Insured II is duly registered under the 1940 Act as a non-diversified, closed-end management investment company (File No. 811-7158), and such registration has not been revoked or rescinded and is in full force and effect. Insured II has elected and qualified for the special tax treatment afforded RICs under Sections 851-855 of the Code at all times since its inception and intends to continue to so qualify through its final taxable year ending upon liquidation.

(c) As used in this Agreement, the term "Investments" shall mean (i) the investments of Insured II shown on the schedule of its investments as of the Valuation Time furnished to Insured I; and (ii) all other assets owned by Insured II or liabilities incurred as of the Valuation Time.

(d) Insured II has full power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of its Board of Directors, and this Agreement constitutes a valid and binding contract enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto.

(e) Insured I has been furnished with Insured II's Annual Report to Stockholders for the year ended October 31, 1995, and the audited financial statements appearing therein, having been examined by Ernst & Young LLP, independent public accountants, fairly present the financial position of Insured II as of the respective dates indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

(f) Insured I has been furnished with Insured II's Semi-Annual Report to Stockholders for the six months ended April 30, 1996, and the unaudited financial statements appearing therein fairly present the financial position of Insured II as of the respective dates indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

(g) An unaudited statement of assets, liabilities and capital of Insured II and an unaudited schedule of investments of Insured II, each as of the Valuation Time, will be furnished to Insured I at or prior to the Exchange Date for the purpose of determining the number of shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be issued to Insured II pursuant to Section 4 of this Agreement; and each will fairly present the financial position of Insured II as of the Valuation Time in conformity with generally accepted accounting principles applied on a consistent basis.

(h) There are no material legal, administrative or other proceedings pending or, to the knowledge of Insured II, threatened against Insured II which assert liability on the part of Insured II or which materially affect its financial condition or its ability to consummate the Reorganization. Insured II is not charged with or, to the best of its knowledge, threatened with any violation or investigation of any possible violation of any provisions of any Federal, state or local law or regulation or administrative ruling relating to any aspect of its business.

(i) There are no material contracts outstanding to which Insured II is a party that have not been disclosed in the N-14 Registration Statement or will not otherwise be disclosed to Insured I prior to the Valuation Time.

(j) Insured II is not a party to or obligated under any provision of its Articles of Incorporation, as amended, or its by-laws, as amended, or any contract or other commitment or obligation, and is not subject to any order or decree which would be violated by its execution of or performance under this Agreement, except insofar as Insured I and Insured II have mutually agreed to amend such contract or other commitment or obligation to cure any potential violation as a condition precedent to the Reorganization.

(k) Insured II has no known liabilities of a material amount, contingent or otherwise, other than those shown on its statements of assets, liabilities and capital referred to above, those incurred in the ordinary course of its business as an investment company since April 30, 1996, and those incurred in connection with the Reorganization. As of the Valuation Time, Insured II will advise Insured I in writing of all known liabilities, contingent or otherwise, whether or not incurred in the ordinary course of business, existing or accrued as of such time.

(l) Insured II has filed, or has obtained extensions to file, all Federal, state and local tax returns which are required to be filed by it, and has paid or has obtained extensions to pay, all Federal, state and local taxes shown on said returns to be due and owing and all assessments received by it, up to and including the taxable year in which the Exchange Date occurs. All tax liabilities of Insured II have adequately been provided for on its books, and no tax deficiency or liability of Insured II has been asserted and no question with respect thereto has been raised by the Internal Revenue Service (the "IRS") or by any state or local tax authority for taxes in excess of those already paid, up to and including the taxable year in which the Exchange Date occurs.

(m) At both the Valuation Time and the Exchange Date, Insured II will have full right, power and authority to sell, assign, transfer and deliver the Investments. At the Exchange Date, subject only to the delivery of the Investments as contemplated by this Agreement, Insured II will have good and marketable title to all of the Investments, and Insured I will acquire all of the Investments free and clear of any encumbrances, liens or security interests and without any restrictions upon the transfer thereof (except those imposed by the Federal or state securities laws and those imperfections of title or encumbrances as do not materially detract from the value or use of the Investments or materially affect title thereto).

(n) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by Insured II of the Reorganization, except such as may be required under the 1933 Act, the 1934 Act, and the 1940 Act or state securities laws (which term as used herein shall include the laws of the District of Columbia and Puerto Rico).

(o) The N-14 Registration Statement, on its effective date, at the time of the stockholders' meetings referred to in Section 6(a) of this Agreement and on the Exchange Date, insofar as it relates to Insured II (i) complied or will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder, and (ii) did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the joint proxy statement and prospectus included therein did not or will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection shall apply only to statements in or omissions from the N-14 Registration Statement made in reliance upon and in conformity with information furnished by Insured II for use in the N-14 Registration Statement as provided in Section 6(e) of this Agreement.

(p) Insured II is authorized to issue 200,000,000 shares of capital stock, of which 2,400 shares have been designated as Series A AMPS and 2,400 shares have been designated as Series B AMPS, and 199,995,200 shares have been designated as common stock, par value $.10 per share, each outstanding share of which is fully paid, nonassessable and has full voting rights.

(q) All of the issued and outstanding shares of Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS were offered for sale and sold in conformity with all applicable Federal and state securities laws.

(r) The books and records of Insured II made available to Insured I and/or its counsel are substantially true and correct and contain no material misstatements or omissions with respect to the operations of Insured II.

(s) Insured II will not sell or otherwise dispose of any of the shares of Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS to be received in the Reorganization, except in distribution to the stockholders of Insured II as provided in Section 4 of this Agreement.

3. THE REORGANIZATION.

(a) Subject to receiving the requisite approvals of the stockholders of each of Insured I and Insured II and to the other terms and conditions contained herein, Insured II agrees to convey, transfer and deliver to Insured I for the benefit of Insured I, and Insured I agrees to acquire from Insured II for the benefit of Insured I, on the Exchange Date all of the Investments (including interest accrued as of the Valuation Time on debt instruments) of Insured II, and assume all of the liabilities of Insured II, in exchange solely for that number of shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS provided in Section 4 of this Agreement. Pursuant to this Agreement, as soon as practicable after the Exchange Date Insured II will distribute all shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS received by it to its stockholders in exchange for their corresponding shares of Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS. Such distribution shall be accomplished by the opening of stockholder accounts on the stock ledger records of Insured I in the amounts due the stockholders of Insured II based on their respective holdings in Insured II as of the Valuation Time.

(b) Prior to the Exchange Date, Insured II shall declare a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its stockholders all of its net investment company taxable income for the period from November 1, 1995 to and including the Exchange Date, if any (computed without regard to any deduction or dividends paid), and all of its net capital gain, if any, realized for the period from November 1, 1995 to and including the Exchange Date. In this regard, the last dividend period for the Insured II Series A AMPS and the Insured II Series B AMPS prior to the Exchange Date may be shorter than the dividend period for such AMPS determined as set forth in the applicable Articles Supplementary.

(c) Insured II will pay, or cause to be paid, to Insured I any interest it receives on or after the Exchange Date with respect to the Investments transferred to Insured I hereunder.

(d) The Valuation Time shall be 4:15 P.M., New York time, on October 25, 1996, or such earlier or later day and time as mutually may be agreed upon in writing (the "Valuation Time").

(e) Insured I will acquire all of the assets of, and assume all of the known liabilities of, Insured II, except that recourse for such liabilities will be limited to Insured I. The known liabilities of Insured II as of the Valuation Time shall be confirmed in writing to Insured I by Insured II pursuant to Section 2(k) of this Agreement.

(f) Insured I will file separate Articles Supplementary to its Articles of Incorporation establishing the powers, rights and preferences of the Insured I Series F AMPS and the Insured I Series G AMPS with the Maryland Department prior to the closing of the Reorganization.

(g) Insured I and Insured II will jointly file Articles of Transfer with the Maryland Department and any such other instrument as may be required by the State of Maryland to effect the transfer of Investments of Insured II to Insured I.

(h) Insured II will be dissolved following the Exchange Date by filing Articles of Dissolution with the Maryland Department.

(i) As promptly as practicable after the liquidation of Insured II pursuant to the Reorganization, Insured II shall terminate its registration under the 1940 Act.

4. ISSUANCE AND VALUATION OF INSURED I COMMON STOCK, INSURED I SERIES F AMPS AND INSURED I SERIES G AMPS IN THE REORGANIZATION.

Full shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS of an aggregate net asset value or liquidation preference, as the case may be, equal (to the nearest one ten thousandth of one cent) to the value of the assets of Insured II acquired in the Reorganization determined as hereinafter provided, reduced by the amount of liabilities of Insured II assumed by Insured I, shall be issued by Insured I in exchange for such assets of Insured II, plus cash in lieu of fractional shares. The net asset value of Insured I and Insured II shall be determined as of the Valuation Time in accordance with the procedures described in (i) the prospectus of Insured I, dated March 20, 1992, relating to the Insured I Common Stock and (ii) the prospectus of Insured I, dated May 18, 1992, relating to the Insured I AMPS, and no formula will be used to adjust the net asset value so determined of either Insured I or Insured II to take into account differences in realized and unrealized gains and losses. Values in all cases shall be determined as of the Valuation Time. The value of the Investments of Insured II to be transferred to Insured I shall be determined by Insured I pursuant to the procedures utilized by Insured I in valuing its own assets and determining its own liabilities for purposes of the Reorganization. Such valuation and determination shall be made by Insured I in cooperation with Insured II and shall be confirmed in writing by Insured I to Insured II. The net asset value per share of the Insured I Common Stock and the liquidation preference per share of the Insured I Series F AMPS and Insured I Series G AMPS shall be determined in accordance with such procedures and Insured I shall certify the computations involved. Insured I shall issue to Insured II separate certificates or share deposit receipts for the Insured I Common Stock, the Insured I Series F AMPS and the Insured I Series G AMPS, each registered in the name of Insured II. Insured II then shall distribute the Insured I Common Stock, the

Insured I Series F AMPS and the Insured I Series G AMPS to its corresponding stockholders of Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS by redelivering the certificates or share deposit receipts evidencing ownership of (i) the Insured I Common Stock to State Street Bank and Trust Company, as the transfer agent and registrar for the Insured I Common Stock and (ii) the Insured I Series F AMPS and the Insured I Series G AMPS to IBJ Schroder Bank and Trust Company, as the transfer agent and registrar for the Insured I Series F AMPS and the Insured I Series G AMPS. With respect to any Insured II stockholder holding certificates evidencing ownership of either the Insured II Common Stock, the Insured II Series A AMPS or the Insured II Series B AMPS as of the Exchange Date, and subject to Insured I being informed thereof in writing by Insured II, Insured I will not permit such stockholder to receive new certificates evidencing ownership of the Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS, exchange Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS credited to such stockholder's account for shares of other investment companies managed by Merrill Lynch Asset Management, L.P. or any of its affiliates, or pledge or redeem such Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS, in any case, until notified by Insured II or its agent that such stockholder has surrendered his or her outstanding certificates evidencing ownership of the Insured II Common Stock, the Insured II Series A AMPS or the Insured II Series B AMPS or, in the event of lost certificates, posted adequate bond. Insured II, at its own expense, will request its stockholders to surrender their outstanding certificates evidencing ownership of the Insured II Common Stock, the Insured II Series A AMPS or the Insured II Series B AMPS, as the case may be, or post adequate bond therefor.

Dividends payable to holders of record of shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS, as the case may be, as of any date after the Exchange Date and prior to the exchange of certificates by any stockholder of Insured II shall be payable to such stockholder without interest; however, such dividends shall not be paid unless and until such stockholder surrenders his or her stock certificates of Insured II for exchange.

No fractional shares of Insured I Common Stock will be issued to holders of Insured II Common Stock. In lieu thereof, Insured I's transfer agent, State Street Bank and Trust Company, will aggregate all fractional shares of Insured I Common Stock and sell the resulting full shares on the New York Stock Exchange at the current market price for shares of Insured I for the account of all holders of fractional interests, and each such holder will receive such holder's pro rata share of the proceeds of such sale upon surrender of such holder's Insured II Common Stock certificates.

5. PAYMENT OF EXPENSES.

(a) Insured I shall pay, subsequent to the Exchange Date, all expenses incurred in connection with the Reorganization, including, but not limited to, all costs related to the preparation and distribution of a memorandum to the independent Directors of each of the Funds, the N-14 Registration Statement and a private letter ruling request to the IRS, expenses incurred in connection with the deregistration and dissolution of Insured II and the fees of special counsel to the Reorganization. Such fees and expenses shall include legal, accounting and state securities or blue sky fees, printing costs, filing fees, stock exchange fees, rating agency fees, portfolio transfer taxes (if any), and any similar expenses incurred in connection with the Reorganization. Neither Insured I nor Insured II shall pay any expenses of its respective stockholders arising out of or in connection with the Reorganization.

(b) If for any reason the Reorganization is not consummated, no party shall be liable to any other party for any damages resulting therefrom, including, without limitation, consequential damages.

6. COVENANTS OF INSURED I AND INSURED II.

(a) Insured I and Insured II each agrees to call an annual meeting of its respective stockholders as soon as is practicable after the effective date of the N-14 Registration Statement for the purpose of considering the Reorganization as described in this Agreement.

(b) Insured I and Insured II each covenants to operate its respective business as presently conducted between the date hereof and the Exchange Date.

(c) Insured II agrees that following the consummation of the Reorganization, it will liquidate and dissolve in accordance with the laws of the State of Maryland and any other applicable law, it will not make any distributions of any Insured I Common Stock, Insured I Series F AMPS or Insured I Series G AMPS other than to the stockholders of Insured II and without first paying or adequately providing for the payment of all of Insured II's liabilities not assumed by Insured I, if any, and on and after the Exchange Date it shall not conduct any business except in connection with its liquidation and dissolution.

(d) Insured II undertakes that if the Reorganization is consummated, it will file, or cause its agents to file, an application pursuant to Section 8(f) of the 1940 Act for an order declaring that Insured II has ceased to be a registered investment company.

(e) Insured I will file the N-14 Registration Statement with the Securities and Exchange Commission (the "Commission") and will use its best efforts to provide that the N-14 Registration Statement becomes effective as promptly as practicable. Insured I and Insured II agree to cooperate fully with each other, and each will furnish to the other the information relating to itself to be set forth in the N-14 Registration Statement as required by the 1933 Act, the 1934 Act, the 1940 Act, and the rules and regulations thereunder and the state securities or blue sky laws.

(f) Insured I agrees to advise Insured II promptly in writing if at any time prior to the Exchange Date the assets of Insured II include any assets which Insured I is not permitted, or reasonably believes to be unsuitable for it, to acquire, including without limitation any security which, prior to its acquisition by Insured II, Insured I has informed Insured II is unsuitable for Insured I to acquire. Moreover, Insured I has no plan or intention to sell or otherwise dispose of the assets of Insured II to be acquired in the Reorganization, except for dispositions made in the ordinary course of business.

(g) Insured I and Insured II each agrees that by the Exchange Date all of its Federal and other tax returns and reports required to be filed on or before such date shall have been filed and all taxes shown as due on said returns either have been paid or adequate liability reserves have been provided for the payment of such taxes. In connection with this covenant, the funds agree to cooperate with each other in filing any tax return, amended return or claim for refund, determining a liability for taxes or a right to a refund of taxes or participating in or conducting any audit or other proceeding in respect of taxes. Insured I agrees to retain for a period of ten (10) years following the Exchange Date all returns, schedules and work papers and all material records or other documents relating to tax matters of Insured II for its taxable period first ending after the Exchange Date and for all prior taxable periods. Any information obtained under this subsection shall be kept confidential except as otherwise may be necessary in connection with the filing of returns or claims for refund

or in conducting an audit or other proceeding. After the Exchange Date, Insured II shall prepare, or cause its agents to prepare, any Federal, state or local tax returns, including any Forms 1099, required to be filed by Insured II with respect to Insured II's final taxable year ending with its complete liquidation and for any prior periods or taxable years and further shall cause such tax returns and Forms 1099 to be duly filed with the appropriate taxing authorities. Notwithstanding the aforementioned provisions of this subsection, any expenses incurred by Insured II (other than for payment of taxes) in connection with the preparation and filing of said tax returns and Forms 1099 after the Exchange Date shall be borne by Insured I.

(h) Insured I and Insured II each agrees to mail to each of its respective stockholders of record entitled to vote at the annual meeting of stockholders at which action is to be considered regarding this Agreement, in sufficient time to comply with requirements as to notice thereof, a combined Proxy Statement and Prospectus which complies in all material respects with the applicable provisions of Section 14(a) of the 1934 Act and Section 20(a) of the 1940 Act, and the rules and regulations, respectively, thereunder.

(i) Following the consummation of the Reorganization, Insured I expects to stay in existence and continue its business as a closed-end management investment company registered under the 1940 Act.

7. EXCHANGE DATE.

(a) Delivery of the assets of Insured II to be transferred, together with any other Investments, and the Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be issued, shall be made at the offices of Brown & Wood LLP, One World Trade Center, New York, New York 10048, at 10:00 A.M. on the next full business day following the Valuation Time, or at such other place, time and date agreed to by Insured I and Insured II, the date and time upon which such delivery is to take place being referred to herein as the "Exchange Date". To the extent that any Investments, for any reason, are not transferable on the Exchange Date, Insured II shall cause such Investments to be transferred to Insured I's account with State Street Bank and Trust Company at the earliest practicable date thereafter.

(b) Insured II will deliver to Insured I on the Exchange Date confirmations or other adequate evidence as to the tax basis of each of the Investments delivered to Insured I hereunder, certified by Ernst & Young LLP.

(c) Insured I shall have made prior arrangements for the delivery on the Exchange Date of the Investments to State Street Bank and Trust Company as the custodian for Insured I.

(d) As soon as practicable after the close of business on the Exchange Date, Insured II shall deliver to Insured I a list of the names and addresses of all of the stockholders of record of Insured II on the Exchange Date and the number of shares of Insured II Common Stock, Insured II Series A AMPS and/or Insured II Series B AMPS owned by each such stockholder, certified to the best of their knowledge and belief by the transfer agent for the Insured II Common Stock, the Insured II Series A AMPS or the Insured II Series B AMPS, as applicable, or by its President.

8. INSURED I CONDITIONS.

The obligations of Insured I hereunder shall be subject to the following conditions:

(a) That this Agreement shall have been adopted, and the Reorganization shall have been approved, by the affirmative vote of two-thirds of the members of the Boards of Directors of Insured I and

Insured II and by the affirmative vote of (i) the holders of (a) a majority of the Insured II Common Stock and Insured II AMPS, voting together as a single class, and (b) a majority of the Insured II AMPS, voting separately as a class, in each case issued and outstanding and entitled to vote thereon; and (ii) the holders of (x) a majority of the Insured II Common Stock and the Insured II AMPS, voting together as a single class, and (y) a majority of the Insured II AMPS, voting separately as a class, in each case issued and outstanding and entitled to vote thereon; and further that (iii) Insured I shall have delivered to Insured II a copy of the resolution approving this Agreement adopted by Insured I's Board of Directors, and a certificate setting forth the vote of Insured I's stockholders obtained, each certified by the Secretary of Insured I; and (iv) Insured II shall have delivered to Insured I a copy of the resolution approving this Agreement adopted by Insured II's Board of Directors, and a certificate setting forth the vote of Insured II's stockholders obtained, each certified by the Secretary of Insured II.

(b) That Insured II shall have furnished to Insured I a statement of Insured II's assets, liabilities and capital, with values determined as provided in Section 4 of this Agreement, together with a schedule of investments with their respective dates of acquisition and tax costs, all as of the Valuation Time, certified on Insured II's behalf by its President (or any Vice President) and its Treasurer, and a certificate of both such officers, dated the Exchange Date, certifying that as of the Valuation Time and as of the Exchange Date there has been no material adverse change in the financial position of Insured II since October 31, 1995, other than changes in the Investments since that date or changes in the market value of the Investments.

(c) That Insured II shall have furnished to Insured I a certificate signed by Insured II's President (or any Vice President) and its Treasurer, dated the Exchange Date, certifying that as of the Valuation Time and as of the Exchange Date all representations and warranties of Insured II made in this Agreement are true and correct in all material respects with the same effect as if made at and as of such dates and Insured II has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to such dates.

(d) That Insured II shall have delivered to Insured I a letter from Ernst & Young LLP, dated the Exchange Date, stating that such firm has performed a limited review of the Federal, state and local income tax returns of Insured II for the period ended October 31, 1995 (which returns originally were prepared and filed by Insured II), and that based on such limited review, nothing came to their attention which caused them to believe that such returns did not properly reflect, in all material respects, the Federal, state and local income taxes of Insured II for the period covered thereby; and that for the period from November 1, 1995 to and including the Exchange Date and for any taxable year of Insured II ending upon the liquidation of Insured II, such firm has performed a limited review to ascertain the amount of applicable Federal, state and local taxes, and has determined that either such amount has been paid or reserves established for payment of such taxes, this review to be based on unaudited financial data; and that based on such limited review, nothing has come to their attention which caused them to believe that the taxes paid or reserves set aside for payment of such taxes were not adequate in all material respects for the satisfaction of Federal, state and local taxes for the period from November 1, 1995 to and including the Exchange Date and for the final taxable year of Insured II ending upon liquidation or that Insured II had not qualified as a regulated investment company for Federal income tax purposes for the period from November 1, 1995 through liquidation of Insured II.

(e) That there shall not be any material litigation pending with respect to the matters contemplated by this Agreement.

(f) That Insured I shall have received an opinion of Brown & Wood LLP, as counsel to both Insured I and Insured II, in form and substance satisfactory to Insured I and dated the Exchange Date, to the effect that (i) each of Insured I and Insured II is a corporation duly organized, validly existing and in good standing in conformity with the laws of the State of Maryland; (ii) the Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be issued pursuant to this Agreement are duly authorized and, upon delivery, will be validly issued and outstanding and fully paid and nonassessable by Insured I, and no stockholder of Insured I has any preemptive right to subscription or purchase in respect thereof (pursuant to the Articles of Incorporation, as amended, or the by-laws of Insured I or, to the best of such counsel's knowledge, otherwise); (iii) this Agreement has been duly authorized, executed and delivered by each of Insured I and Insured II, and represents a valid and binding contract, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws pertaining to the enforcement of creditors' rights generally and equitable principles; (iv) Insured II has the power to sell, assign, transfer and deliver the assets transferred by it hereunder and, upon consummation of the Reorganization in accordance with the terms of this Agreement, Insured II will have duly transferred such assets and liabilities in accordance with this Agreement; (v) to the best of such counsel's knowledge, no consent, approval, authorization or order of any United States federal or Maryland state court or governmental authority is required for the consummation by Insured I and Insured II of the Reorganization, except such as have been obtained under the 1933 Act, the 1934 Act and the 1940 Act and the published rules and regulations of the Commission thereunder and under Maryland law and such as may be reserved under state securities or blue sky laws; (vi) the N-14 Registration Statement has become effective under the 1933 Act, no stop order suspending the effectiveness of the N-14 Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the 1933 Act, and the N-14 Registration Statement, and each amendment or supplement thereto, as of their respective effective dates, appear on their face to be appropriately responsive in all material respects to the requirements of the 1933 Act, the 1934 Act and the 1940 Act and the published rules and regulations of the Commission thereunder; (vii) the descriptions in the N-14 Registration Statement of statutes, legal and governmental proceedings and contracts and other documents are accurate and fairly present the information required to be shown; (viii) such counsel do not know of any statutes, legal or governmental proceedings or contracts or other documents related to the Reorganization of a character required to be described in the N-14 Registration Statement which are not described therein or, if required to be filed, filed as required; (ix) the execution and delivery of this Agreement does not, and the consummation of the Reorganization will not, violate any material provision of the Articles of Incorporation, as amended, the by-laws, as amended, or any agreement (known to such counsel) to which either Insured I or Insured II is a party or by which either Insured I or Insured II is bound, except insofar as the parties have agreed to amend such provision as a condition precedent to the Reorganization; (x) neither Insured I nor Insured II, to the knowledge of such counsel, is required to qualify to do business as a foreign corporation in any jurisdiction except as may be required by state securities or blue sky laws, and except where each has so qualified or the failure so to qualify would not have a material adverse effect on Insured I, Insured II, or their respective stockholders; (xi) to the best of such counsel's knowledge, no material suit, action or legal or administrative proceeding is pending or threatened against Insured I or Insured II, the

unfavorable outcome of which would materially adversely affect Insured I or Insured II; and (xii) all corporate actions required to be taken by Insured I and Insured II to authorize this Agreement and to effect the Reorganization have been duly authorized by all necessary corporate actions on the part of Insured I and Insured II. Such opinion also shall state that (x) while such counsel cannot make any representation as to the accuracy or completeness of statements of fact in the N-14 Registration Statement or any amendment or supplement thereto, nothing has come to their attention that would lead them to believe that, on the respective effective dates of the N-14 Registration Statement and any amendment or supplement thereto, (1) the N-14 Registration Statement or any amendment or supplement thereto contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and (2) the prospectus included in the N-14 Registration Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (y) such counsel do not express any opinion or belief as to the financial statements, other financial data, statistical data or information relating to Insured I or Insured II contained or incorporated by reference in the N-14 Registration Statement. In giving the opinion set forth above, Brown & Wood LLP may state that it is relying on certificates of officers of Insured I and Insured II with regard to matters of fact and certain certificates and written statements of governmental officials with respect to the good standing of Insured I and Insured II and on the opinion of Wilmer, Cutler & Pickering as to matters of Maryland law.

(g) That Insured I shall have received a private letter ruling from the IRS, to the effect that for Federal income tax purposes (i) the transfer of all of the Investments of Insured II to Insured I in exchange solely for Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS as provided in this Agreement will constitute a reorganization within the meaning of Section 368(a)(1)(C) of the Code, and Insured I and Insured II will each be deemed a "party" to a Reorganization within the meaning of Section 361(b) of the Code; (ii) in accordance with Section 361(a) of the Code, no gain or loss will be recognized to Insured II as a result of the Reorganization or on the distribution of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to Insured II stockholders under Section 361(c)(1) of the Code; (iii) under Section 1032 of the Code, no gain or loss will be recognized to Insured I as a result of the Reorganization; (iv) in accordance with Section 354(a)(1) of the Code, no gain or loss will be recognized to the stockholders of Insured II on the receipt of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS in exchange for their corresponding Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS (except to the extent that Insured II stockholders receive cash representing an interest in fractional shares of Insured I in the Reorganization); (v) in accordance with Section 362(b) of the Code, the tax basis of the Insured II assets in the hands of Insured I will be the same as the tax basis of such assets in the hands of Insured II immediately prior to the consummation of the Reorganization; (vi) in accordance with Section 358 of the Code, immediately after the Reorganization, the tax basis of the Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS received by the stockholders of Insured II in the Reorganization will be equal, in the aggregate, to the tax basis of the Insured II Common Stock, Insured II Series A AMPS and Insured II Series B AMPS surrendered in exchange; (vii) in accordance with Section 1223 of the Code, a stockholder's holding period for the Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS will be determined by including the period for which such stockholder held the Insured II Common Stock, Insured II

Series A AMPS and Insured II Series B AMPS exchanged therefor, provided, that such Insured II shares were held as a capital asset; (viii) in accordance with Section 1223 of the Code, Insured I's holding period with respect to the Insured II assets transferred will include the period for which such assets were held by Insured II; (ix) the payment of cash to Insured II stockholders in lieu of fractional shares of Insured I will be treated as though the fractional shares were distributed as part of the Reorganization and then redeemed by Insured I, with the result that each Insured II stockholder will have short- or long-term capital gain or loss to the extent that the cash distribution differs from such stockholder's basis allocable to the Insured I fractional shares; and (x) the taxable year of Insured II will end on the effective date of the Reorganization and pursuant to Section 381(a) of the Code and regulations thereunder, Insured I will succeed to and take into account certain tax attributes of Insured II, such as earnings and profits, capital loss carryovers and method of accounting.

(h) That Insured I shall have received from Ernst & Young LLP a letter dated as of the effective date of the N-14 Registration Statement and a similar letter dated within five days prior to the Exchange Date, in form and substance satisfactory to Insured I, to the effect that (i) they are independent public accountants with respect to Insured II within the meaning of the 1933 Act and the applicable published rules and regulations thereunder; (ii) in their opinion, the financial statements and supplementary information of Insured II included or incorporated by reference in the N-14 Registration Statement and reported on by them comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published rules and regulations thereunder; (iii) on the basis of limited procedures agreed upon by Insured I and Insured II and described in such letter (but not an examination in accordance with generally accepted auditing standards) consisting of a reading of any unaudited interim financial statements and unaudited supplementary information of Insured II included in the N-14 Registration Statement, and inquiries of certain officials of Insured II responsible for financial and accounting matters, nothing came to their attention that caused them to believe that (a) such unaudited financial statements and related unaudited supplementary information do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published rules and regulations thereunder, (b) such unaudited financial statements are not fairly presented in conformity with generally accepted accounting principles, applied on a basis substantially consistent with that of the audited financial statements, or (c) such unaudited supplementary information is not fairly stated in all material respects in relation to the unaudited financial statements taken as a whole; and (iv) on the basis of limited procedures agreed upon by Insured I and Insured II and described in such letter (but not an examination in accordance with generally accepted auditing standards), the information relating to Insured II appearing in the N-14 Registration Statement, which information is expressed in dollars (or percentages derived from such dollars) concerning Insured II (with the exception of performance comparisons, if any), has been obtained from the accounting records of Insured II or from schedules prepared by officials of Insured II having responsibility for financial and reporting matters and such information is in agreement with such records, schedules or computations made therefrom.

(i) That the Investments to be transferred to Insured I shall not include any assets or liabilities which Insured I, by reason of charter limitations or otherwise, may not properly acquire or assume.

(j) That the N-14 Registration Statement shall have become effective under the 1933 Act and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of Insured II, contemplated by the Commission.

(k) That the Commission shall not have issued an unfavorable advisory report under Section 25(b) of the 1940 Act, nor instituted or threatened to institute any proceeding seeking to enjoin consummation of the Reorganization under Section 25(c) of the 1940 Act, no other legal, administrative or other proceeding shall be instituted or threatened which would materially affect the financial condition of Insured II or would prohibit the Reorganization.

(l) That Insured I shall have received from the Commission such orders or interpretations as Brown & Wood LLP, as counsel to Insured I, deems reasonably necessary or desirable under the 1933 Act and the 1940 Act in connection with the Reorganization, provided, that such counsel shall have requested such orders as promptly as practicable, and all such orders shall be in full force and effect.

(m) That all proceedings taken by Insured II and its counsel in connection with the Reorganization and all documents incidental thereto shall be satisfactory in form and substance to Insured I.

(n) That prior to the Exchange Date, Insured II shall declare a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its stockholders all of its net investment company taxable income for the period from November 1, 1995 to and including the Exchange Date, if any (computed without regard to any deduction or dividends paid), and all of its net capital gain, if any, realized for the period from November 1, 1995 to and including the Exchange Date. In this regard, the last dividend period for the Insured II Series A AMPS and the Insured II Series B AMPS prior to the Exchange Date may be shorter than the dividend period for such AMPS determined as set forth in the applicable Articles Supplementary.

9. INSURED II CONDITIONS.

The obligations of Insured II hereunder shall be subject to the following conditions:

(a) That this Agreement shall have been adopted, and the Reorganization shall have been approved, by all of the requisite votes set forth in Section 8(a) of this Agreement, and that all such certificates as set forth in such Section shall have been obtained.

(b) That Insured I shall have furnished to Insured II a statement of Insured I's assets, liabilities and capital, with values determined as provided in Section 4 of this Agreement, together with a schedule of its investments, all as of the Valuation Time, certified on Insured II's behalf by its President (or any Vice President) and its Treasurer, and a certificate signed by Insured I's President (or any Vice President) and its Treasurer, dated as of the Exchange Date, certifying that as of the Valuation Time and as of the Exchange Date there has been no material adverse change in the financial position of Insured I since October 31, 1995, other than changes in its portfolio securities since that date or changes in the market value of its portfolio securities.

(c) That Insured I shall have furnished to Insured II a certificate signed by Insured I's President (or any Vice President) and its Treasurer, dated as of the Exchange Date, certifying that as of the Valuation Time and as of the Exchange Date all representations and warranties of Insured I made in this Agreement are true and correct in all material respects with the same effect as if made at and as of such dates, and that Insured I has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to such date.

(d) That there shall not be any material litigation pending with respect to the matters contemplated by this Agreement.

(e) That Insured II shall have received an opinion of Brown & Wood LLP, as counsel to both Insured I and Insured II, in form and substance satisfactory to Insured II and dated the Exchange Date, with respect to the matters specified in Section 8(f) of this Agreement and such other matters as Insured II reasonably may deem necessary or desirable.

(f) That Insured II shall have received a private letter ruling from the IRS with respect to the matters specified in Section 8(h) of this Agreement.

(g) That all proceedings taken by Insured I and its counsel in connection with the Reorganization and all documents incidental thereto shall be satisfactory in form and substance to Insured II.

(h) That the N-14 Registration Statement shall have become effective under the 1933 Act, and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of Insured I, contemplated by the Commission.

(i) That Insured II shall have received from Deloitte & Touche LLP a letter dated as of the effective date of the N-14 Registration Statement and a similar letter dated within five days prior to the Exchange Date, in form and substance satisfactory to Insured II, to the effect that (i) they are independent public accountants with respect to Insured I within the meaning of the 1933 Act and the applicable published rules and regulations thereunder; (ii) in their opinion, the financial statements and supplementary information of Insured I included or incorporated by reference in the N-14 Registration Statement and reported on by them comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published rules and regulations thereunder; (iii) on the basis of limited procedures agreed upon by Insured I and Insured II and described in such letter (but not an examination in accordance with generally accepted auditing standards) consisting of a reading of any unaudited interim financial statements and unaudited supplementary information of Insured I included in the N-14 Registration Statement, and inquiries of certain officials of Insured I responsible for financial and accounting matters, nothing came to their attention that caused them to believe that (a) such unaudited financial statements and related unaudited supplementary information do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published rules and regulations thereunder, (b) such unaudited financial statements are not fairly presented in conformity with generally accepted accounting principles, applied on a basis substantially consistent with that of the audited financial statements, or (c) such unaudited supplementary information is not fairly stated in all material respects in relation to the unaudited financial statements taken as a whole; and (iv) on the basis of limited procedures agreed upon by Insured I and Insured II and described in such letter (but not an examination in accordance with generally accepted auditing standards), the information relating to Insured I appearing in the N-14 Registration Statement, which information is expressed in dollars (or percentages derived from such dollars) concerning Insured I (with the exception of performance comparisons, if any), if any, has been obtained from the accounting records of Insured I or from schedules prepared by officials of Insured I having responsibility for financial and reporting matters and such information is in agreement with such records, schedules or computations made therefrom.

(j) That the Commission shall not have issued an unfavorable advisory report under Section 25(b) of the 1940 Act, nor instituted or threatened to institute any proceeding seeking to enjoin consummation of the Reorganization under Section 25(c) of the 1940 Act, no other legal, administrative or other proceeding shall be instituted or threatened which would materially affect the financial condition of Insured I or would prohibit the Reorganization.

(k) That Insured II shall have received from the Commission such orders or interpretations as Brown & Wood LLP, as counsel to Insured II, deems reasonably necessary or desirable under the 1933 Act and the 1940 Act in connection with the Reorganization, provided, that such counsel shall have requested such orders as promptly as practicable, and all such orders shall be in full force and effect.

10. TERMINATION, POSTPONEMENT AND WAIVERS.

(a) Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated and the Reorganization abandoned at any time (whether before or after adoption thereof by the stockholders of each of Insured I and Insured II) prior to the Exchange Date, or the Exchange Date may be postponed, (i) by mutual consent of the Boards of Directors of Insured I and Insured II; (ii) by the Board of Directors of Insured I if any condition of Insured I's obligations set forth in Section 8 of this Agreement has not been fulfilled or waived by such Board; or (iii) by the Board of Directors of Insured II if any condition of Insured II's obligations set forth in Section 9 of this Agreement has not been fulfilled or waived by such Board.

(b) If the transactions contemplated by this Agreement have not been consummated by June 30, 1997, this Agreement automatically shall terminate on that date, unless a later date is mutually agreed to by the Boards of Directors of Insured I and Insured II.

(c) In the event of termination of this Agreement pursuant to the provisions hereof, the same shall become void and have no further effect, and there shall not be any liability on the part of either Insured I or Insured II or persons who are their directors, trustees, officers, agents or stockholders in respect of this Agreement.

(d) At any time prior to the Exchange Date, any of the terms or conditions of this Agreement may be waived by the Board of Directors of either Insured I or Insured II, respectively (whichever is entitled to the benefit thereof), if, in the judgment of such Board after consultation with its counsel, such action or waiver will not have a material adverse effect on the benefits intended under this Agreement to the stockholders of their respective fund, on behalf of which such action is taken. In addition, the Boards of Directors of Insured I and Insured II have delegated to Fund Asset Management, L.P. the ability to make non-material changes to the transaction if it deems it to be in the best interests of Insured I and Insured II to do so.

(e) The respective representations and warranties contained in Sections 1 and 2 of this Agreement shall expire with, and be terminated by, the consummation of the Reorganization, and neither Insured I nor Insured II nor any of their officers, directors or trustees, agents or stockholders shall have any liability with respect to such representations or warranties after the Exchange Date. This provision shall not protect any officer, director or trustee, agent or stockholder of Insured I or Insured II against any liability to the entity for which that officer, director or trustee, agent or stockholder so acts or to its stockholders to which that officer, director or trustee, agent or stockholder otherwise would be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties in the conduct of such office.

(f) If any order or orders of the Commission with respect to this Agreement shall be issued prior to the Exchange Date and shall impose any terms or conditions which are determined by action of the Boards of Directors of Insured I and Insured II to be acceptable, such terms and conditions shall be binding as if a part of this Agreement without further vote or approval of the stockholders of Insured I and Insured II, unless such terms and conditions shall result in a change in the method of computing the number of shares of Insured I Common Stock, Insured I Series F AMPS and Insured I Series G AMPS to be issued to Insured II in which event, unless such terms and conditions shall have been included in the proxy solicitation materials furnished to the stockholders of Insured I and Insured II prior to the meetings at which the Reorganization shall have been approved, this Agreement shall not be consummated and shall terminate unless Insured I and Insured II promptly shall call special meetings of stockholders at which such conditions so imposed shall be submitted for approval.

11. OTHER MATTERS.

(a) Pursuant to Rule 145 under the 1933 Act, and in connection with the issuance of any shares to any person who at the time of the Reorganization is, to its knowledge, an affiliate of a party to the Reorganization pursuant to Rule 145(c), Insured I will cause to be affixed upon the certificate(s) issued to such person (if any) a legend as follows:

THESE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFER UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT

TO MUNIYIELD INSURED I FUND, INC. (OR ITS STATUTORY SUCCESSOR) OR ITS PRINCIPAL UNDERWRITER UNLESS (I) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT OF 1933 OR (II) IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE FUND, SUCH REGISTRATION IS NOT REQUIRED.

and, further, that stop transfer instructions will be issued to Insured I's transfer agent with respect to such shares. Insured II will provide Insured I on the Exchange Date with the name of any Insured II stockholder who is to the knowledge of Insured II an affiliate of it on such date.

(b) All covenants, agreements, representations and warranties made under this Agreement and any certificates delivered pursuant to this Agreement shall be deemed to have been material and relied upon by each of the parties, notwithstanding any investigation made by them or on their behalf.

(c) Any notice, report or demand required or permitted by any provision of this Agreement shall be in writing and shall be deemed to have been given if delivered or mailed, first class postage prepaid, addressed to Insured I or Insured II, in either case at 800 Scudders Mill Road, Plainsboro, New Jersey 08536, Attn: Arthur Zeikel, President.

(d) This Agreement supersedes all previous correspondence and oral communications between the parties regarding the Reorganization, constitutes the only understanding with respect to the Reorganization, may not be changed except by a letter of agreement signed by each party and shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said state.

(e) Copies of the Articles of Incorporation, as amended, of Insured I and Insured II are on file with the Maryland Department and notice is hereby given that this instrument is executed on behalf of the Directors of each Fund.

This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original but all such counterparts together shall constitute but one instrument.

MUNIYIELD INSURED FUND, INC.

By: /s/ ARTHUR ZEIKEL

Arthur Zeikel
President

Attest:

/s/ MARK B. GOLDFUS

Mark B. Goldfus
Secretary

MUNIYIELD INSURED FUND II, INC.

By: /s/ ARTHUR ZEIKEL

Arthur Zeikel
President

Attest:

/s/ MARK B. GOLDFUS

Mark B. Goldfus
Secretary

EXHIBIT II

RATINGS OF MUNICIPAL BONDS AND COMMERCIAL PAPER

DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S ("MOODY'S") MUNICIPAL BOND RATINGS

Aaa -- Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge". Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa -- Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A -- Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Baa -- Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba -- Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B -- Bonds which are rated B generally lack characteristics of a desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa -- Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca -- Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C -- Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Con. ( ) -- Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when

facilities are completed, or (d) payments to which some other limiting condition attaches. Parenthetical rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

Note: Those bonds in the Aa, A, Baa, Ba and B groups which Moody's believes possess the strongest investment attributes are designated by the symbols Aa1, A1, Baa1, Ba1 and B1.

Short-term Notes and Variable Rate Demand Obligations: The four ratings of Moody's for short-term notes and VRDOs are MIG-1/VMIG-1, MIG-2/VMIG-2, MIG-3/VMIG-3, and MIG-4/VMIG-4; MIG-1/VMIG-1 denotes "best quality, enjoying strong protection from established cash flows"; MIG-2/VMIG-2 denotes "high quality" with "ample margins of protection"; MIG-3/VMIG-3 instruments are of "favorable quality but lacking the undeniable strength of the preceding grades"; MIG-4/VMIG-4 instruments are of "adequate quality, carrying specific risk but having protection and not distinctly or predominantly speculative".

DESCRIPTION OF MOODY'S COMMERCIAL PAPER RATINGS

Moody's Commercial Paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months. Moody's employs the following three designations, all judged to be investment grade, to indicate the relative repayment capacity of rated issuers:

Issuers rated Prime-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics: leading market positions in well established industries; high rates of return on funds employed; conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earnings coverage of fixed financial charges and high internal cash generation; and with established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated Prime-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Issuers rated Prime-3 (or related supporting institutions) have an acceptable capacity for repayment of short-term promissory obligations. The effects of industry characteristics and market composition may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and the requirement for relatively high financial leverage. Adequate alternate liquidity is maintained.

Issuers rated Not Prime do not fall within any of the Prime rating categories.

DESCRIPTION OF STANDARD & POOR'S RATINGS GROUP'S ("STANDARD & POOR'S") MUNICIPAL DEBT RATINGS

A Standard & Poor's municipal debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors, insurers, or lessees.

The debt rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor.

The ratings are based on current information furnished by the issuer or obtained by Standard & Poor's from other sources Standard & Poor's considers reliable. Standard & Poor's does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information, or for other reasons.

The ratings are based, in varying degrees, on the following considerations:

I. Likelihood of default-capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;

II. Nature of and provisions of the obligation;

III. Protection afforded to, and relative position of, the obligation in the event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA -- Debt rated "AAA" has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA -- Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the highest-rated issues only in small degree.

A -- Debt rated "A" has a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher-rated categories.

BBB -- Debt rated "BBB" is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than for debt in higher-rated categories.

BB, B, CCC, CC, C -- Debt rated "BB", "B", "CCC", "CC" and "C" is regarded, on balance, as predominately speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "C" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

BB -- Debt rated "BB" has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The "BB" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BBB-" rating.

B -- Debt rated "B" has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will

likely impair capacity or willingness to pay interest and repay principal. The "B" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BB" or "BB-" rating.

CCC -- Debt rated "CCC" has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The "CCC" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "B" or "B-" rating.

CC -- The rating "CC" is typically applied to debt subordinated to senior debt that is assigned an actual or implied "CCC" rating.

C -- The rating "C" is typically applied to debt subordinated to senior debt which is assigned an actual or implied "CCC-" debt rating. The "C" rating may be used to cover a situation where a bankruptcy petition has been filed but debt service payments are continued.

C1 -- The rating "C1" is reserved for income bonds on which no interest is being paid.

D -- Debt rated "D" is in payment default. The "D" rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The "D" rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-): The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

DESCRIPTION OF STANDARD & POOR'S COMMERCIAL PAPER RATINGS

A Standard & Poor's commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. Ratings are graded into several categories, ranging from "A-1" for the highest quality obligations to "D" for the lowest. The three designations in the "A" category are as follows:

A-1 -- This highest category indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a "+" designation.

A-2 -- Capacity for timely payment on issues with this designation is satisfactory. However, the relative degree of safety is not as high as for issues designated "A-1".

A-3 -- Issues carrying this designation have adequate capacity for timely payment. They are, however, more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

B -- Issues rated "B" are regarded as having only speculative capacity for timely payment.

C -- This rating is assigned to short-term debt obligations with a doubtful capacity for payment.

D -- Debt rated "D" is in payment default. The "D" rating category is used when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period.

A commercial paper rating is not a recommendation to purchase or sell a security. The ratings are based on current information furnished to Standard & Poor's by the issuer or obtained from other sources it considers reliable. The ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information.

A Standard & Poor's municipal note rating reflects the liquidity concerns and market access risks unique to such notes. Notes due in three years or less will likely receive a note rating. Notes maturing beyond three years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment.

Amortization schedule (the larger the final maturity relative to other maturities, the more likely it will be treated as a note).

Source of payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note).

Note rating symbols are as follows:

SP-1 A very strong, or strong, capacity to pay principal and interest. Issues that possess overwhelming safety characteristics will be given a "+" designation.

SP-2 A satisfactory capacity to pay principal and interest.

SP-3 A speculative capacity to pay principal and interest.

DESCRIPTION OF FITCH INVESTORS SERVICE, INC.'S ("FITCH") INVESTMENT GRADE BOND RATINGS

Fitch investment grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The rating represents Fitch's assessment of the issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner.

The rating takes into consideration special features of the issue, its relationship to other obligations of the issuer, the current and prospective financial condition and operating performance of the issuer and any guarantor, as well as the economic and political environment that might affect the issuer's future financial strength and credit quality.

Fitch ratings do not reflect any credit enhancement that may be provided by insurance policies or financial guarantees unless otherwise indicated.

Bonds that have the same rating are of similar but not necessarily identical credit quality since the rating categories do not fully reflect small differences in the degrees of credit risk.

Fitch ratings are not recommendations to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

Fitch ratings are based on information obtained from issuers, other obligors, underwriters, their experts, and other sources Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of such information. Ratings may be changed, suspended, or withdrawn as a result of changes in, or the unavailability of, information or for other reasons.

AAA -- Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA -- Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated "AAA". Because bonds rated in the "AAA" and "AA" categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated "F-1+".

A -- Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

BBB -- Bonds considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds, and therefore impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

Plus (+) or Minus (-): Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the "AAA" category.

Credit Trend Indicator: Credit trend indicators show whether credit fundamentals are improving, stable, declining, or uncertain, as follows:

<TABLE>

<S>	<C>
Improving	[UP ARROW]
Stable	[LEFT AND RIGHT ARROW]
Declining	[DOWN ARROW]
Uncertain	[UP AND DOWN ARROW]

</TABLE>

Credit trend indicators are not predictions that any rating change will occur, and have a longer-term time frame than issues placed on FitchAlert.

NR indicates that Fitch does not rate the specific issue.

Conditional: A conditional rating is premised on the successful completion of a project or the occurrence of a specific event.

Suspended: A rating is suspended when Fitch deems the amount of information available from the issuer to be inadequate for rating purposes.

Withdrawn: A rating will be withdrawn when an issue matures or is called or refinanced and, at Fitch's discretion, when an issuer fails to furnish proper and timely information.

FITCHALERT: Ratings are placed on FitchAlert to notify investors of an occurrence that is likely to result in a rating change and the likely direction of such change. These are designated as "Positive" indicating a potential upgrade, "Negative" for potential downgrade, or "Evolving" where ratings may be raised or lowered. FitchAlert is relatively short-term, and should be resolved within three to 12 months.

DESCRIPTION OF FITCH'S SPECULATIVE GRADE BOND RATINGS

Fitch speculative grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The ratings ("BB" to "C") represent Fitch's assessment of the likelihood of timely payment of principal and interest in accordance with the terms of obligation for bond issues not in default. For defaulted bonds, the rating ("DDD" to "D") is an assessment of the ultimate recovery value through reorganization or liquidation.

The rating takes into consideration special features of the issue, its relationship to other obligations of the issuer, the current and prospective financial condition and operating performance of the issuer and any guarantor, as well as the economic and political environment that might affect the issuer's future financial strength.

Bonds that have the same rating are of similar but not necessarily identical credit quality since rating categories cannot fully reflect the differences in degrees of credit risk.

BB -- Bonds are considered speculative. The obligor's ability to pay interest and repay principal may be affected over time by adverse economic changes. However, business and financial alternatives can be identified which could assist the obligor in satisfying its debt service requirements.

B -- Bonds are considered highly speculative. While bonds in this class are currently meeting debt service requirements, the probability of continued timely payment of principal and interest reflects the obligor's limited margin of safety and the need for reasonable business and economic activity throughout the life of the issue.

CCC -- Bonds have certain identifiable characteristics which, if not remedied, may lead to default. The ability to meet obligations requires an advantageous business and economic environment.

CC -- Bonds are minimally protected. Default in payment of interest and/or principal seems probable over time.

C -- Bonds are in imminent default in payment of interest or principal.

DDD, DD, and D -- Bonds are in default on interest and/or principal payments. Such bonds are extremely speculative and should be valued on the basis of their ultimate recovery value in liquidation or reorganization of the obligor. "DDD" represents the highest potential for recovery on these bonds, and "D" represents the lowest potential for recovery.

Plus (+) or Minus (-): Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the "DDD," "DD," or "D" categories.

DESCRIPTION OF FITCH'S INVESTMENT GRADE SHORT-TERM RATINGS

Fitch's short-term ratings apply to debt obligations that are payable on demand or have original maturities of up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes.

The short-term rating places greater emphasis than a long-term rating on the existence of liquidity necessary to meet the issuer's obligations in a timely manner.

Fitch short-term ratings are as follows:

<TABLE>

<S>	<C>
F-1+	Exceptionally Strong Credit Quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.
F-1	Very Strong Credit Quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated "F-1+".
F-2	Good Credit Quality. Issues assigned this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues assigned "F-1+" and "F-1" ratings.
F-3	Fair Credit Quality. Issues assigned this rating have characteristics suggesting that the degree of assurance for timely payment is adequate; however, near-term adverse changes could cause these securities to be rated below investment grade.
F-4	Weak Credit Quality. Issues assigned this rating have characteristics suggesting a minimal degree of assurance for timely payment and are vulnerable to near-term adverse changes in financial and economic conditions.
D	Default. Issues assigned this rating are in actual or imminent payment default.
LOC	The symbol "LOC" indicates that the rating is based on a letter of credit issued by a commercial bank.

</TABLE>

EXHIBIT III

PORTFOLIO INSURANCE

Set forth below is further information with respect to the Mutual Fund Insurance Policies (the "Policies") which each Fund may obtain from several insurance companies with respect to insured Municipal Bonds held by the Fund. Each Fund has no obligation to obtain any such Policies and the terms of any Policies actually obtained may vary significantly from the terms described below.

In determining eligibility for insurance, insurance companies will apply their own standards which correspond generally to the standards they normally use in establishing the insurability of new issues of Municipal Bonds and which are not necessarily the criteria which would be used in regard to the purchase of such bonds by the Funds. The Policies do not insure (i) municipal securities ineligible for insurance and (ii) municipal securities no longer owned by a Fund.

The Policies do not guarantee the market value of the insured Municipal Bonds or the value of the shares of the Funds. In addition, if the provider of an original issuance insurance policy is unable to meet its obligations under such policy or if the rating assigned to the insurance claims-paying ability of any such insurer deteriorates, the insurance company will not have any obligation to insure any issue held by a Fund which is adversely affected by either of the above described events. In addition to the payment of premiums, the Policies may require that a Fund notify the insurance company as to all Municipal Bonds in the Fund's portfolio and permit the insurance company to audit their records. The insurance premiums will be payable monthly by each Fund in accordance with a premium schedule to be furnished by the insurance company at the time the Policies are issued. Premiums are based upon the amounts covered and the composition of the portfolio.

The insurance companies will have insurance claims-paying ability ratings of AAA from Standard & Poor's Ratings Group ("S&P"), Aaa from Moody's Investors Service, Inc. ("Moody's") or AAA from Fitch Investors Service, Inc. ("Fitch").

An S&P insurance claims-paying ability rating is an assessment of an operating insurance company's financial capacity to meet obligations under an insurance policy in accordance with the terms. An insurer with an insurance claims-paying ability rating of AAA has the highest rating assigned by S&P. Capacity to honor insurance contracts is adjudged by S&P to be extremely strong and highly likely to remain so over a long period of time. A Moody's insurance claims-paying ability rating is an opinion of the ability of an insurance company to repay punctually senior policyholder obligations and claims. An insurer with an insurance claims-paying ability rating of Aaa is adjudged by Moody's to be of the best quality. In the opinion of Moody's, the policy obligations of an insurance company with an insurance claims-paying ability rating of Aaa carry the smallest degree of credit risk and, while the financial strength of these companies is likely to change, such changes as can be visualized are most unlikely to impair the company's fundamentally strong position. A Fitch insurance claims-paying ability rating provides an assessment of an insurance company's financial strength and, therefore, its ability to pay policy and contract claims under the terms indicated. An insurer with an insurance claims-paying ability rating of AAA has the highest rating assigned by Fitch. The ability to pay claims is adjudged by Fitch to be extremely strong for insurance companies with this highest rating. In the opinion of Fitch, foreseeable business and economic risk factors should not have any material adverse impact on the ability of these insurers to pay claims. In Fitch's opinion, profitability, overall balance sheet strength,

capitalization and liquidity are all at very secure levels and are unlikely to be affected by potential adverse underwriting, investment or cyclical events.

An insurance claims-paying ability rating by S&P, Moody's or Fitch does not constitute an opinion on any specific contract in that such an opinion can only be rendered upon the review of the specific insurance contract. Furthermore, an insurance claims-paying ability rating does not take into account deductibles, surrender or cancellation penalties or the timeliness of payment; nor does it address the ability of a company to meet nonpolicy obligations (i.e. debt contracts.)

The assignment of ratings by S&P, Moody's or Fitch to debt issues that are fully or partially supported by insurance policies, contracts or guarantees is a separate process from the determination of claims-paying ability ratings. The likelihood of a timely flow of funds from the insurer to the trustee for the bondholders is a key element in the rating determination for such debt issues.

COMMON STOCK

MUNIYIELD INSURED FUND, INC.
P.O. BOX 9011
PRINCETON, NEW JERSEY 08543-9011

PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Arthur Zeikel, Terry K. Glenn and Mark B. Goldfus as proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and to vote, as designated on the reverse hereof, all of the shares of Common Stock of MuniYield Insured Fund, Inc. (the "Fund") held of record by the undersigned on August 16, 1996 at the Annual Meeting of Stockholders of the Fund to be held on September 30, 1996, or any adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER HEREIN DIRECTED BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2, 3 AND 4.

(Continued and to be signed on the reverse side)

1. To consider and act upon a proposal to approve the Agreement and Plan of Reorganization between the Fund and MuniYield Insured Fund II, Inc. ("Insured II")

FOR / /   AGAINST / /   ABSTAIN / /

2. To consider and act upon a proposal to elect the following persons as Directors of the Fund:

FOR all nominees listed below (except as marked to the contrary below) / /	WITHHOLD AUTHORITY to vote for all nominees listed below / /

(INSTRUCTION: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below.)

Joe Grills, Robert S. Salomon, Jr., Stephen B. Swensrud, Arthur Zeikel

3. In the event that proposal 1 has been approved by the requisite number of stockholders of the Fund and Insured II and the Reorganization has taken place prior to October 31, 1996, to consider and act upon a proposal to ratify the selection of Ernst & Young LLP as the independent auditors of the combined fund to serve for the fiscal year ending October 31, 1996.

FOR / /   AGAINST / /   ABSTAIN / /

4. In the event that proposal 1 has not been approved by the requisite number of stockholders of the Fund and Insured II or the Reorganization has not taken place prior to October 31, 1996, to consider and act upon a proposal to ratify the selection of Deloitte & Touche LLP as the independent auditors of the Fund to serve for the current fiscal year ending October 31, 1996.

FOR / /   AGAINST / /   ABSTAIN / /

5. In the discretion of such proxies, upon such other business as properly may come before the meeting or any adjournment thereof.

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney or as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized persons.

Dated: , 1996

X
Signature

X
Signature, if held jointly

PLEASE MARK BOXES /X/ OR [X] IN BLUE OR BLACK INK. SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

AUCTION MARKET
PREFERRED STOCK

MUNIYIELD INSURED FUND, INC.
P.O. BOX 9011
PRINCETON, NEW JERSEY 08543-9011

P R O X Y

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Arthur Zeikel, Terry K. Glenn and Mark B. Goldfus as proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and to vote, as designated on the reverse hereof, all of the shares of Auction Market Preferred Stock of MuniYield Insured Fund, Inc. (the "Fund") held of record by the undersigned on August 16, 1996 at the Annual Meeting of Stockholders of the Fund to be held on September 30, 1996, or any adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER HEREIN DIRECTED BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2, 3 AND 4.

(Continued and to be signed on the reverse side)

1. To consider and act upon a proposal to approve the Agreement and Plan of Reorganization between the Fund and MuniYield Insured Fund II, Inc. ("Insured II")

   FOR / /   AGAINST / /   ABSTAIN / /

2. To consider and act upon a proposal to elect the following persons as Directors of the Fund:

<TABLE>

<S>	<C>
FOR all nominees listed below (except as marked to the contrary below) / /	WITHHOLD AUTHORITY to vote for all nominees listed below / /

</TABLE>

   (INSTRUCTION: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below.)

   Joe Grills, Walter Mintz, Robert S. Salomon, Jr., Melvin R. Seiden, Stephen B. Swensrud, Arthur Zeikel

3. In the event that proposal 1 has been approved by the requisite number of stockholders of the Fund and Insured II and the Reorganization has taken place prior to October 31, 1996, to consider and act upon a proposal to ratify the selection of Ernst & Young LLP as the independent auditors of the combined fund to serve for the fiscal year ending October 31, 1996.

   FOR / /   AGAINST / /   ABSTAIN / /

4. In the event that proposal 1 has not been approved by the requisite number of stockholders of the Fund and Insured II or the Reorganization has not taken place prior to October 31, 1996, to consider and act upon a proposal to ratify the selection of Deloitte & Touche LLP as the independent auditors of the Fund to serve for the current fiscal year ending October 31, 1996.

   FOR / /   AGAINST / /   ABSTAIN / /

5. In the discretion of such proxies, upon such other business as properly may come before the meeting or any adjournment thereof.

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney or as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized persons.

Dated: , 1996

X

Signature

X

Signature, if held jointly

PLEASE MARK BOXES /X/ OR [X] IN BLUE OR BLACK INK. SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

COMMON STOCK

MUNIYIELD INSURED FUND II, INC.
P.O. BOX 9011
PRINCETON, NEW JERSEY 08543-9011

P R O X Y

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Arthur Zeikel, Terry K. Glenn and Mark B. Goldfus as proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and to vote, as designated on the reverse hereof, all of the shares of Common Stock of MuniYield Insured Fund II, Inc. (the "Fund") held of record by the undersigned on August 16, 1996 at the Annual Meeting of Stockholders of the Fund to be held on September 30, 1996, or any adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER HEREIN DIRECTED BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2 AND 3.

(Continued and to be signed on the reverse side)

1. To consider and act upon a proposal to approve the Agreement and Plan of Reorganization between the Fund and MuniYield Insured Fund, Inc.

FOR / /   AGAINST / /   ABSTAIN / /

2. To consider and act upon a proposal to elect the following persons as Directors of the Fund:

<TABLE>

<S>	<C>
FOR all nominees listed below (except as marked to the contrary below) / /	WITHHOLD AUTHORITY to vote for all nominees listed below / /

</TABLE>

(INSTRUCTION: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below.)

Edward H. Meyer, Jack B. Sunderland, J. Thomas Touchton, Arthur Zeikel

3. To consider and act upon a proposal to ratify the selection of Ernst & Young LLP as the independent auditors of the Fund to serve for the current fiscal year ending October 31, 1996.

FOR / /   AGAINST / /   ABSTAIN / /

4. In the discretion of such proxies, upon such other business as properly may come before the meeting or any adjournment thereof.

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney or as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized persons.

Dated _________________ , 1996

X_____________________________
(Signature)

X_____________________________
(Signature, if held jointly)

PLEASE MARK BOXES /X/ OR [X] IN BLUE OR BLACK INK. SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

AUCTION MARKET
PREFERRED STOCK

MUNIYIELD INSURED FUND II, INC.
P.O. BOX 9011
PRINCETON, NEW JERSEY 08543-9011

P R O X Y

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Arthur Zeikel, Terry K. Glenn and Mark B. Goldfus as proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and to vote, as designated on the reverse hereof, all of the shares of Auction Market Preferred Stock of MuniYield Insured Fund II, Inc. (the "Fund") held of record by the undersigned on August 16, 1996 at the Annual Meeting of Stockholders of the Fund to be held on September 30, 1996, or any adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER HEREIN DIRECTED BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2 AND 3.

(Continued and to be signed on the reverse side)

1. To consider and act upon a proposal to approve the Agreement and Plan of Reorganization between the Fund and MuniYield Insured Fund, Inc.
   FOR / /   AGAINST / /   ABSTAIN / /

2. To consider and act upon a proposal to elect the following persons as Directors of the Fund:

   FOR all nominees listed below   WITHHOLD AUTHORITY
   (except as marked to the contrary below) / /   to vote for all nominees listed below) / /

   (INSTRUCTION: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below.)
   Donald Cecil, M. Colyer Crum, Edward H. Meyer, Jack B. Sunderland, J. Thomas Touchton, Arthur Zeikel

3. To consider and act upon a proposal to ratify the selection of Ernst & Young LLP as the independent auditors of the Fund to serve for the current fiscal year ending October 31, 1996.

   FOR / /   AGAINST / /   ABSTAIN / /

4. In the discretion of such proxies, upon such other business as properly may come before the meeting or any adjournment thereof.

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney or as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized persons.

Dated

--, 1996

X

(Signature)

X

(Signature, if held jointly)

PLEASE MARK BOXES /X/ OR [X] IN BLUE OR BLACK INK. SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.